

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

COMPANY NUMBER: 20129967

**BALANCE SHEET AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2020**

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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, 2020 together with their annual report.

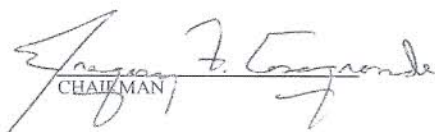
The accompanying balance sheet and accounts on pages 4 to 16 show that operations for the year ended 31st December 2020 resulted in a deficit of \$2,583,561 (2019: deficit of \$1,938,143) after charging income tax of \$20,000 (2019: \$20,000). These accounts have been prepared under the supervision of 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 2020 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2020 (2019: \$nil).

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

Dated at Honiara this 25th day of March 2021.

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 2020, 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 2020, 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 2020.
- (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. In addition to that, note 20 also describes the possible effects of the COVID-19 pandemic on the company's operations. Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. 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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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



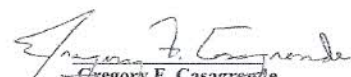
BY GREG SOJNOCKI
PARTNER

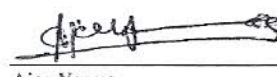
Date: 8th April 2021
Honiara

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
BALANCE SHEET as at 31st December 2020**

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
ASSETS			
Current assets			
Cash on hand and in bank	4	1,517,043	1,459,231
Loan portfolio outstanding	5	11,278,062	11,114,883
Receivables	6	36,596	18,447
Other assets	7	315,789	269,093
Total current assets		<u>13,147,490</u>	<u>12,861,654</u>
Fixed assets			
Fixed assets	8	2,742,118	2,916,591
Less: Accumulated depreciation	8	<u>(1,562,808)</u>	<u>(1,119,525)</u>
Net fixed assets		<u>1,179,310</u>	<u>1,797,066</u>
TOTAL ASSETS		<u>14,326,800</u>	<u>14,658,720</u>
LIABILITIES			
Current liabilities			
Clients' savings deposits	9	2,782,328	3,339,901
Accounts payable	10	914,234	441,718
Kiva loan	11(a)	2,806,988	2,472,911
Soft loans -current	11(b)	814,495	-
Whole Planet-current	11(c)	703,355	-
Death benefit reserve	12(a)	13,179	40,179
Spousal death benefit reserve	12(b)	44,324	56,324
Provision for income tax	13(b)	20,000	20,000
Lease liability	16	306,261	540,000
Total current liabilities		<u>8,405,164</u>	<u>6,911,033</u>
Non Current liabilities			
Lease liability - non-current	16	-	257,327
Whole Planet - non - current	11(c)	3,634,823	4,338,178
Soft loans - non-current	11(b)	<u>24,006,119</u>	<u>22,287,927</u>
Total non-current liabilities		<u>27,640,942</u>	<u>26,883,432</u>
TOTAL LIABILITIES		<u>36,046,106</u>	<u>33,794,465</u>
NET ASSETS / (LIABILITIES)		<u>(21,719,306)</u>	<u>(19,135,745)</u>
EQUITY			
Issued capital	14	1,047,425	1,047,425
Shareholders funds / (Deficit in shareholders funds)		<u>(22,766,731)</u>	<u>(20,183,170)</u>
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		<u>(21,719,306)</u>	<u>(19,135,745)</u>

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


Ajay Verma
Director

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
PROFIT AND LOSS ACCOUNT for the year ended 31st December 2020**

	2020	2019
	\$	\$
Financial Income		
Interest on loans	4,206,561	4,000,220
Development fee	495,362	600,272
Loan security fee	-	395,638
Death benefit fee	447,261	125,650
Savings withdrawal fees	72,892	65,055
Other non-operating income	36,001	15,073
Savings passbook issuance fees	2,050	1,650
Spousal death benefit fee	52,245	155,489
Resignation fees	750	450
Financial booklet issuance fee	13,450	39,038
Loan write-off recoveries	8,041	35,614
Total Financial Income	<u>5,334,613</u>	<u>5,434,149</u>
LESS : Financial Expenses		
Interest and fees on borrowed funds	832,388	740,118
Foreign exchange loss	367,085	385,597
Loss / (Gain) on sale of fixed assets	29,021	(38,928)
Total financial expenses	<u>1,228,494</u>	<u>1,086,787</u>
NET FINANCIAL INCOME	<u>4,106,119</u>	<u>4,347,362</u>
LESS : Provisions and write-offs		
Loan loss provision and write-offs	5 582,537	57,536
Death benefit reserve	12(a) 6,722	38,614
Other provisions and write-offs	12(b) -	38,901
NET FINANCIAL MARGIN	<u>3,516,860</u>	<u>4,212,311</u>
Operating Expenses		
Bank charges	10,924	18,320
Computer support system	59,380	59,322
Conference and meetings	68,591	48,225
Depreciation	8 269,374	247,684
Amortisation-right of use assets	8 494,988	206,244
Electricity and water	230,839	115,837
Events and festivals	9,600	13,650
Insurance	41,910	86,404
Marketing and advertisement	10,000	14,713
Management fees and subscriptions	2,530	2,242
Office expenses	247,172	189,577
Postage, telephone and communications	433,635	361,463
Printing and office stationeries	139,153	212,758
Professional services (audit, legal, other professional)	192,819	261,466
Management services	-	11,336
Interest expense-lease liability	48,934	32,352
Rentals	761,184	1,082,619
Repairs and maintenance	185,126	187,775
Registration fees	25,952	25,206
Salaries and benefits	2,375,252	2,182,132
Loan recovery expenses	23,037	-
Tax penalties	-	2,550
Transportation, fuel, oil	237,555	356,018
Travel	212,466	412,561
Total Operating Expenses	<u>6,080,421</u>	<u>6,130,454</u>
Net surplus / (deficit) before taxation	<u>(2,563,561)</u>	<u>(1,918,143)</u>
Income tax expense	13(a) 20,000	20,000
Net surplus / (deficit) after taxation	<u>(2,583,561)</u>	<u>(1,938,143)</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 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 2020

	Share capital	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 January 2019	1,047,425	(18,245,027)	(17,197,602)
<i>Total comprehensive income for the year</i>			
Profit / (loss) for the year	-	(1,938,143)	(1,938,143)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>(1,938,143)</u>	<u>(1,938,143)</u>
<i>Transactions with owners</i>			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2019	<u>1,047,425</u>	<u>(20,183,170)</u>	<u>(19,135,745)</u>
<i>Total comprehensive income for the year</i>			
Profit / (loss) for the year	-	(2,583,561)	(2,583,561)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>(2,583,561)</u>	<u>(2,583,561)</u>
<i>Transactions with owners</i>			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2020	<u>1,047,425</u>	<u>(22,766,731)</u>	<u>(21,719,306)</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 2020

	<u>Note</u>	<u>2020</u>	<u>2019</u>
		\$	\$
Cash flows from operating activities			
Funds advanced to customers		(18,427,096)	(19,929,978)
Funds repayment by customers		18,258,558	16,106,755
Interest received on loans		4,206,561	4,000,220
Other receipts		1,128,052	1,433,929
Interest payments on deposits		(434,888)	(741,968)
Cash payments to employees and suppliers		(5,723,143)	(6,286,940)
Income taxes paid		(20,000)	(20,000)
Net cash flows from / (used in) operating activities		<u>(1,011,956)</u>	<u>(5,437,982)</u>
Cash flows from investing activities			
Proceeds from sale of assets		6,500	38,928
Purchase of fixed assets		(182,126)	(885,176)
Net cash flows from / (used in) investing activities		<u>(175,626)</u>	<u>(846,248)</u>
Cash flows from financing activities			
Proceeds from borrowing - Kiva loan		491,915	1,613,080
Proceeds from Evander Management Ltd		1,002,004	
Proceeds from borrowing - Soft loans		1,380,460	4,039,463
Proceeds from borrowing - Whole Planet Foundation		-	1,896,131
Repayments of borrowing-Kiva		(193,860)	(228,782)
Repayments of borrowing - Soft loans		(337,552)	(526,284)
Lease payments		(540,000)	(225,000)
Member savings net Deposit/(Withdrawal)		(557,573)	84,183
Net cash flows from / (used in) financing activities		<u>1,245,394</u>	<u>6,652,791</u>
Net increase / (decrease) in cash and cash equivalents		57,812	-
Cash and cash equivalents at the beginning of the financial year		<u>1,459,231</u>	<u>1,090,670</u>
Cash and cash equivalents at the end of the financial year	4	<u>1,517,043</u>	<u>1,459,231</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 2020**

1. REPORTING ENTITY

South Pacific Business Development Microfinance (Solomon Islands) Limited (or SPBD) is a privately owned microenterprise development organisation with a mission to provide financial services to economically disadvantaged people, particularly women who cannot access savings and loan products from traditional banks. SPBD provides unemployed and low income women entrepreneurs with financial services, training, ongoing guidance and motivation to help them start or grow micro-businesses so that they can improve their lives and that of their families. It was incorporated under the Companies Act 2009 on 13th April 2012. It's main office is located in Mataniko River Plaza, Chinatown in the capital, Honiara Solomon Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the company have been drawn up in accordance with the requirements of the laws of Solomon Islands, particularly the Companies Act 2009, and applicable accounting standards in Solomon Islands. They have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Except where stated, the accounting policies have been consistently applied.

Set out below is the summary of significant accounting methods adopted by the company in the preparation of the accounts.

(a) Reporting Currency

All amounts are expressed in Solomon Islands dollars (SBD).

(b) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and balances held with banks but exclude short term deposits.

(c) Depreciation

Items of fixed assets are stated at the lower of historical cost and recoverable amount and are depreciated on a straight-line basis so as to write off the cost of the assets over their estimated economic life.

The rates of the depreciation used are based on the following estimated useful lives:

Furniture and fixtures	8 years
Computer equipment and peripherals	4 years
Motor vehicles	4 years
Office equipment	8 years
Software and electronic system	4 years
Leasehold & Improvements	8 years

Fixed assets are depreciated or amortised from the date of acquisition.

(d) Revenue

Revenues are presented as Financial Income in the income statement which is comprised of income generated from providing financial services to its target clientele. The main sources of financial income are:

- i. Interest Income - Interest income from loan portfolio and term deposits is recognised using the cash based method where they are recognised at the time they are received.
- ii. Development Fee – SPBD charges a fee of 3% of principal loan amount to be used to cover the cost of training the clients, loan evaluation and monitoring. This fee is deducted from the loan proceeds.
- iii. Loan Security Fee – This fee is of the loan principal to cover the risk in the event of death of the client. A member's loan obligations to SPBD will be eliminated upon the death of that member. The loan security fee of 2% of the loan principal is deducted from the loan proceeds.
- iv. Death Benefit Fee – SPBD offers a Death Benefit Product to help the families of SPBD members to reduce the burden of bereavement and funeral expenses when the member dies. When an SPBD member dies during the period of the loan, her beneficiaries will receive a fixed payment of SBD3000. The death benefit fee is deducted from the loan proceeds and is based on the period of 50 weeks for \$45.
- v. Savings Fees – A fee of \$5 is charged by SPBD to its member when they withdraw from their savings account and are recognised in the period in which they are received.

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**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 2020

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)	0.1223
Exchange rate used at balance sheet date (SBD/NZD)	0.1692
Exchange rate used at balance sheet date (SBD/AUD)	0.1589

(i) Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost.

(j) Borrowings

Borrowings are initially measured at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

(k) Employee entitlements

Short term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to but not yet taken at balance date.

Long term employee entitlements

There are no long term employee entitlements.

(l) Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(m) New amended Accounting Standards and Interpretations adopted

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

(n) IFRS 16 Leases

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

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

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

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

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

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the year ended 31st December 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

(o) Leases

The Company as a lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

(p) The Company as a lessor

The company does not lease any property as a lessor.

3. CRITICAL ACCOUNTING ESTIMATE/JUDGEMENT

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

(a) Impairment losses on loans

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

(b) Extension options for leases

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

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	2020 \$	2019 \$
4. CASH ON HAND AND IN BANK		
<i>Cash on hand</i>		
Savings imprest reserve	-	573
Petty cash imprest	-	618
SUB-TOTAL	-	1,191
<i>Cash in bank</i>		
ANZ SBD account	92,602	220,493
BSP SBD account	556,466	420,970
BSP Gizo SBD account	15,857	149
BSP Munda SBD account	30,035	480
ANZ AUD account	-	119
ANZ USD account	-	336
BSP-Term Deposit	540,800	540,800
BSP-Operating Account	281,283	274,693
SUB-TOTAL	1,517,043	1,458,040
TOTAL	1,517,043	1,459,231
5. LOAN PORTFOLIO		
LOAN RECEIVABLES		
Accumulative since inception		
Total Loan disbursements	132,483,824	114,056,728
Less: Total principal loan repayments since inception	(118,961,152)	(101,279,771)
Less: Loan write-offs	(2,081,212)	(1,504,035)
Gross Loan Portfolio	11,441,460	11,272,922
Less: Loan loss reserve	(163,398)	(158,039)
Net Loan Portfolio	11,278,062	11,114,883
<i>No. of Loans Outstanding</i>		
SPBD Group Loan Product	2,946	2,773

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.

	Loan Loss Provision	Honiara	Munda	Gizo	Total	Loan Loss Prov. Amt
		Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	
1 week to 4 week late(<30 days)	5%	510,288	35,641	39,913	585,842	29,292
5 weeks to 8 weeks late(30 to 60 days late)	10%	490,773	-	48,318	539,091	53,909
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%	71,631	3,510	5,055	80,197	80,197
TOTAL PROVISIONING AS OF 31 DECEMBER 2020		1,072,692	39,151	93,286	1,205,131	163,398

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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 2020 were considered and approved by the Director.

Loan Types	# of Accounts	31-Dec-20			# of Accounts	31-Dec-19		
		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)
Group Loans								
Current	2,463	9,954,296	-	-	2,593	10,702,842	-	-
1-4 weeks late	197	556,617	-	-	24	147,892	-	-
5-8 weeks late	186	521,981	521,981	4.64%	20	94,853	94,853	0.84%
9-12 weeks late	-	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-	-
17-20 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	45	67,363	67,363	0.60%	67	141,159	141,159	1.25%
Sub-total	2,891	11,100,258	589,344	5.24%	2,704	11,086,746	236,012	2.09%
Higher Education Loan								
Current	42	96,713	-	-	43	72,647	-	-
1-4 weeks late	4	9,625	-	-	-	-	-	-
5-8 weeks late	4	13,960	-	-	-	-	-	-
17-20 weeks late	-	-	-	-	-	-	-	-
Sub-total	50	120,298			43	72,647		
Staff Loans								
Current	26	184,540	-	-	26	113,529	-	-
1-4 weeks in arrears	1	19,600	-	-	-	-	-	-
Over 4 weeks in arrears	4	15,983	15,983	0.14%	-	-	-	0.00%
Sub-total	5	35,583			26	113,529		0.00%
Grand Total	2,946	11,256,140	589,344	5.24%	2,773	11,272,922	236,012	2.09%

	2020	2019
Movement in Loan Loss Reserve	\$	\$
Loan reserve, 1 January	158,039	232,339
Loan loss provision expense for the year	582,536	57,532
Less: Loans written-off during the year	<u>(577,177)</u>	<u>(131,832)</u>
Loan reserve, 31 December	<u>163,398</u>	<u>158,039</u>

6. **RECEIVABLES**

Other receivables	36,596	18,447
	<u>36,596</u>	<u>18,447</u>

7. **OTHER ASSETS**

Staff advances	38,735	4,778
Less: Provision for doubtful staff advances	-	-
	<u>38,735</u>	<u>4,778</u>
Stock - Passbooks	45,073	53,924
Stock - Receipt books	13,570	33,810
Rental bond - head office	126,500	132,000
Prepaid expenses	91,911	44,581
	<u>315,789</u>	<u>269,093</u>

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Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
	\$	\$	\$	\$
Leasehold Improvements	378,280	63,679	45,869	314,601
Furniture and fixtures	154,216	46,528	22,953	107,688
Computer equipment and peripherals	208,510	101,153	51,165	107,357
Motor vehicles	752,531	527,163	116,167	225,368
Office equipment	195,458	59,904	33,220	135,554
Software and electronic system	63,148	63,148	-	-
Building-Right of Use	989,975	701,233	494,988	288,742
2020 TOTAL	2,742,118	1,562,808	764,362	1,179,310
2019 TOTAL	2,916,591	1,119,525	453,928	1,797,066

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>2020</u>	<u>2019</u>
	<u>Number of saving accounts</u>	\$	\$
Clients saving balances	8,440 (2019: 7,994)	<u>2,782,328</u>	<u>3,339,901</u>
10. ACCOUNTS PAYABLE			
Accrued Interest - holding company - SPBD Microfinance Holdings (Singapore) Pte Limited		439,344	49,078
Accounts payable - other		357,369	276,841
Employee deductions payable - PAYE, NPF and Basic rates		56,695	62,207
Accrued Interest - Microdreams		<u>60,826</u>	<u>53,592</u>
		<u>914,234</u>	<u>441,718</u>
11(a) KIVA LOAN			
Kiva loan - non-current		<u>2,806,988</u>	<u>2,472,911</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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	2020 \$	2019 \$
11. BORROWINGS - cont'd		
11(b) SOFT LOANS		
MicroDreams Foundation	1,431,193	1,432,474
SPBD Micro Finance Holdings	21,616,371	20,855,453
GFC Gregory F. Casagrande	591,017	-
Evander Management Limited	1,182,033	-
Total	24,820,614	22,287,927
Soft Loans - current	814,495	-
Soft Loans - long term	24,006,119	22,287,927
Total	24,820,614	22,287,927

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 1/01/2020	Principal repayment	Balance 31/12/2020 (SBD)	Interest repayment (SBD)2020	Interest payable as at 31/12/2020 (SBD)
01-Aug-19	USD	128,052	8.50%	30/09/2023	4.00	1,067,100	1,067,100	-	1,047,032	-	44,497
01-Oct-19	NZD	65,000	8.50%	31/12/2023	4.50	344,462	365,374	-	384,161	-	16,330
Total						1,411,562	1,432,474		1,431,193		60,827

SPBD MicroFinance Holdings (Singapore) Pty Limited

The loans with SPBD MicroFinance Holdings (Singapore) Pty Limited are unsecured. There are no deposits tied to these loans and no guarantee was obtained to secure them. SPBD Microfinance Holdings (Singapore) Pty Limited outstanding Loans were re-structured during the year to consolidate separate currencies denoted in AUD, USD, 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 1/01/2020	Principal repayment (2020)	Balance 31/12/2020(SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2020 (SBD)
01-Jan-19	USD	1,225,000	2.00%	31/12/2028	10.00	10,123,967	10,208,333	-	10,016,353	-	200,883
01-Jan-19	AUD	700,000	2.00%	31/12/2028	10.00	4,079,254	4,081,633	-	4,405,286	-	88,106
01-Jan-19	NZD	300,000	2.00%	31/12/2028	10.00	1,670,378	1,686,341	-	1,773,050	-	35,561
18-Apr-19	USD	200,000	2.00%	30/06/2022	3.90	1,598,721	1,666,667	-	1,308,258	-	13,197
29-Jan-19	NZD	100,000	6.00%	30/06/2025	6.00	531,401	562,114	-	591,017	-	35,561
30-Jul-19	USD	200,000	2.00%	31/12/2023	4.50	1,607,716	1,666,667	-	1,635,323	-	32,796
20-Sep-19	NZD	75,000	7.50%	31/12/2022	3.50	398,301	421,585	-	443,262	-	33,339
09-Dec-20	AUD	100,000	2.00%	31/12/2025	4.00	588,582	-	-	629,327	-	-
23-Dec-20	USD	100,000	2.00%	31/03/2021	-	791,879	-	-	814,495	-	-
Total						20,009,738	20,293,339		21,616,371		439,444
CASAGRANDE GREGORY											
01-Jan-19	NZD	100,000	7.00%	31/12/2023	4.06	512,802	562,114	-	591,017	-	-
Total						512,802	562,114		591,017		-
SIMON HOLDSWORTH											
21-May-20	NZD	200,000	6.00%	30/07/2023	3.50	1,002,004	-	-	1,182,033	43,717	-
Total						1,002,004			1,182,033	43,717	-

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.

	2020 \$	2019 \$
11(c) Whole Planet Foundation		
Current	703,355	-
Non-current	3,634,823	4,338,178
	4,338,178	4,338,178

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 USD\$545,000 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 12 instalments with the first instalment due on 31 January 2021.

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12. Movement in Other Reserves	<u>2020</u>	<u>2019</u>
12(a) Movement in Death Benefit Reserve	\$	\$
Death benefit reserve, 1 January	40,179	22,565
Death benefit provision for the year	-	38,614
Less: Loans written-off during the year	<u>(27,000)</u>	<u>(21,000)</u>
Death benefit reserve, 31 December	<u>13,179</u>	<u>40,179</u>
12(b) Movement in Spousal Death benefit reserve		
Spousal death benefit reserve, 1 January	56,324	41,423
Spousal death benefit provision for the year	-	38,901
Less: Loans written-off during the year	<u>(12,000)</u>	<u>(24,000)</u>
Spousal death benefit reserve, 31 December	<u>44,324</u>	<u>56,324</u>
13. TAXATION		
13(a) Income tax expense		
Income tax expense is 30% of taxable income for the financial year, or 0.5% of revenue if there is a taxable loss	<u>2020</u>	<u>2019</u>
Net surplus/(deficit) per the profit and loss account	\$	\$
	(2,563,564)	(1,918,143)
<i>Add: Non deductible expenses</i>		
Depreciation and amortisation for accounting purposes	764,362	453,928
Loan loss provision/Life insurance and spousal insurance	5,359	32,515
Interest on lease liabilities	48,934	32,352
Net loss on disposal of assets	29,021	-
Tax penalties	-	2,550
Tax loss carry forward amount expired	<u>3,119,951</u>	<u>2,891,332</u>
	1,404,066	1,494,534
<i>Less: Deductible expenses/non-assessable revenue</i>		
Tax loss carried forward	11,738,149	12,553,847
Depreciation for taxation purposes	293,837	333,240
Loan loss provision/Life insurance and spousal insurance	39,000	81,668
Lease payments	540,000	225,000
Gain on disposal of assets	-	38,928
Exempt interest income	5,000	-
Taxable income / (loss)	<u>(11,211,920)</u>	<u>(11,738,149)</u>
Income tax expense - turnover tax	<u>20,000</u>	<u>20,000</u>
13(b) Provision for income tax		
Provision for income tax at beginning of year	20,000	20,000
Add: Income tax expense	20,000	20,000
Less: Tax paid during the year	<u>(20,000)</u>	<u>(20,000)</u>
Provision for income tax at end of year	<u>20,000</u>	<u>20,000</u>
13(c) Income tax losses		
The estimated income tax losses available to be carried forward at 31st December, 2020 amounted to \$11,211,920 (2019: \$11,738,149). The benefit of this loss which at the rates prevailing at balance date amounted to \$3,363,576 (2019: \$3,521,1445) 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.		
14. ISSUED CAPITAL	<u>2020</u>	<u>2019</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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15. RELATED PARTIES

Holding company

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

Other Related Entities

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

Directors

The Directors of the company are Gregory Casagrande, Sandeep Lohani and Ajay Verma. Directors emoluments during the year amounted to \$561,275 (2019: \$46,773).

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:

	2020	2019
	\$	\$
ROU-buildings balance as at 1 January	989,975	989,975
Amortisation	701,233	206,244
ROU-buildings balance as at 31 December	288,742	783,731
Lease liabilities		
Current	306,261	540,000
Non-Current	-	257,327
	306,261	797,327

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

Lease liabilities -buildings balance as at 1 January	797,327	989,975
Interest expense	48,934	32,352
Less: Lease payments	(540,000)	(225,000)
Lease liabilities -buildings balance as at 31 December	306,261	797,327

17. NON FINANCIAL SERVICES

Financial Diaries Programme

SPBD Microfinance Solomon Islands offers a one day extensive financial literacy training as part of the 6 days of training which every borrower has to undergo before they become eligible to apply for a loan. The financial literacy training is aimed at training the borrowers to maintain their business and household income and expenses, and better manage their small business.

18. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2020 (2019: \$nil).

19. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2020 (2019: \$nil).

20. GOING CONCERN

The company made a loss during the year and has a deficiency in equity of \$21,719,306 at 31st December 2020. As a going concern, the company is dependent on the continuing support of its shareholder.

In addition, in March 2020, the World Health Organisation declared the novel coronavirus (COVID-19) as a pandemic. The COVID-19 pandemic has had, and continues to have, an impact on businesses around the world including the Solomon Islands and the economic environments in which they operate. In particular, significant uncertainties exists regarding the duration and severity of the COVID-19 impacts and the associated disruption that it may have on the economy and the operations of the company.

Despite the prevailing uncertainties, 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.