

**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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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



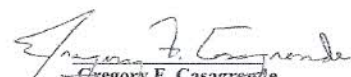
BY GREG SOJNOCKI
PARTNER

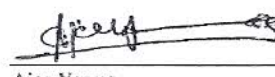
Date: 8th April 2021
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**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
BALANCE SHEET as at 31st December 2020**

	<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.

