

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

COMPANY NUMBER: 20129967

**BALANCE SHEET AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2021**

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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, 2021 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 2021 resulted in a deficit of \$1,900,483 (2020: deficit of \$2,583,561) after charging income tax of \$20,000 (2020: \$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 2021 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2021 (2020: Nil).

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

Dated at Honiara this 13th day of June 2022.

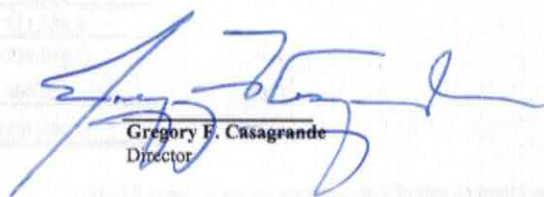
BY ORDER OF THE BOARD


CHAIRMAN

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

	Note	2021 \$	2020 \$
ASSETS			
Current assets			
Cash on hand and in bank	4	2,752,538	1,517,043
Loan portfolio outstanding	5	7,397,841	11,278,062
Receivables	6	20,729	36,596
Other assets	7	313,002	315,789
Total current assets		10,484,110	13,147,490
Fixed assets			
Fixed assets	8	2,664,667	2,742,118
Less: Accumulated depreciation	8	(1,219,826)	(1,562,808)
Net fixed assets		1,444,841	1,179,310
TOTAL ASSETS		11,928,951	14,326,800
LIABILITIES			
Current liabilities			
Clients' savings deposits	9	1,945,960	2,782,328
Unsecured borrowings	11	5,761,160	4,324,838
Accounts payable	10	344,553	934,234
Lease liability	16	540,000	306,261
Death benefit reserve	12(a)	26,448	13,179
Spousal death benefit reserve	12(b)	44,161	44,324
Total current liabilities		8,662,282	8,405,164
Non Current liabilities			
Unsecured borrowings	11	26,638,736	27,640,942
Lease liability	16	247,722	-
Total non-current liabilities		26,886,458	27,640,942
TOTAL LIABILITIES		35,548,740	36,046,106
NET ASSETS / (LIABILITIES)		(23,619,789)	(21,719,306)
EQUITY			
Issued capital	14	1,047,425	1,047,425
Shareholders funds / (Deficit in shareholders funds)		(24,667,214)	(22,766,731)
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		(23,619,789)	(21,719,306)

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 2021**

	Note	2021 \$	2020 \$
Financial Income			
Interest on loans		4,190,727	4,206,561
Development fee		415,411	495,362
Death benefit fee		359,960	447,261
Savings withdrawal fees		69,145	72,892
Other non-operating income		-	36,001
Savings passbook issuance fees		-	2,050
Spousal death benefit fee		53,280	52,245
Resignation fees		-	750
Financial booklet issuance fee		53,200	13,450
Loan write-off recoveries		52,809	8,041
Total Financial Income		5,194,532	5,334,613
LESS : Financial Expenses			
Interest and fees on borrowed funds		1,028,899	832,388
Foreign exchange (gains)/losses		(366,359)	367,085
Loss on sale of fixed assets		-	29,021
Total financial expenses		662,540	1,228,494
NET FINANCIAL INCOME		4,531,992	4,106,119
LESS : Provisions and write-offs			
Loan loss provision and write-offs	5	667,643	582,537
Life insurance provision		6,580	6,722
Death benefits provisions	12(a), 12(b)	51,120	-
NET FINANCIAL MARGIN		3,806,649	3,516,860
Operating Expenses			
Amortisation-right of use assets	8	491,907	494,988
Bank charges		14,047	10,924
Computer support system		47,465	59,380
Conference and meetings		4,517	68,591
Depreciation	8	229,385	269,374
Electricity and water		235,121	230,839
Events and festivals		-	9,600
Insurance		48,413	41,910
Interest expense-lease liability		46,273	48,934
Loan recovery expenses		-	23,037
Marketing and advertisement		2,100	10,000
Office expenses		489,758	247,172
Postage, telephone and communications		368,227	433,635
Printing and office stationeries		145,458	139,153
Professional services (audit, legal, other professional)		190,000	192,819
Rentals		815,985	761,184
Repairs and maintenance		205,481	185,126
Registration fees		25,694	25,952
Salaries and benefits		1,918,337	2,375,252
Subscriptions		550	2,530
Transportation, fuel, oil		268,375	237,555
Travel		140,039	212,466
Total Operating Expenses		5,687,132	6,080,421
Net surplus/(deficit) before taxation		(1,880,483)	(2,563,561)
Income tax expense	13(a)	20,000	20,000
Net surplus/(deficit) after taxation		(1,900,483)	(2,583,561)

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 2021**

	Share capital	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 January 2020	1,047,425	(20,183,170)	(19,135,745)
Total comprehensive income for the year			
Surplus/(deficit) for the year	-	(2,583,561)	(2,583,561)
Total other comprehensive income	-	-	-
Total comprehensive income/(loss) for the year	<u>-</u>	<u>(2,583,561)</u>	<u>(2,583,561)</u>
Transactions with owners			
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>
Total comprehensive income for the year			
Surplus/(deficit) for the year	-	(1,900,483)	(1,900,483)
Total other comprehensive income	-	-	-
Total comprehensive income/(loss) for the year	<u>-</u>	<u>(1,900,483)</u>	<u>(1,900,483)</u>
Transactions with owners			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2021	<u>1,047,425</u>	<u>(24,667,214)</u>	<u>(23,619,789)</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 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Funds advanced to customers		(14,212,058)	(18,427,096)
Funds repayment by customers		18,087,522	18,258,558
Interest received on loans		4,190,727	4,206,561
Other receipts		1,003,805	1,128,052
Interest payments on deposits		(1,495,607)	(434,888)
Interest on lease payments		(46,276)	(48,934)
Cash payments to employees and suppliers		(5,675,045)	(5,723,143)
Income taxes paid		(20,000)	(20,000)
Net cash flows from / (used in) operating activities		1,833,068	(1,060,890)
Cash flows from investing activities			
Proceeds from sale of assets		-	6,500
Purchase of fixed assets		(67,956)	(182,126)
Net cash flows from / (used in) investing activities		(67,956)	(175,626)
Cash flows from financing activities			
Proceeds from borrowing - Kiva loan		-	491,915
Proceeds from Evander Management Ltd		-	1,002,004
Proceeds from borrowing - Soft loans		2,501,913	1,380,460
Repayments of borrowing-Kiva		-	(193,860)
Repayments of borrowing - Soft loans		(1,701,438)	(337,552)
Lease payments		(493,724)	(491,066)
Member savings net deposits/(withdrawals)		(836,368)	(557,573)
Net cash flows from / (used in) financing activities		(529,617)	1,294,328
Net increase / (decrease) in cash and cash equivalents		1,235,495	57,812
Cash and cash equivalents at the beginning of the financial year		1,517,043	1,459,231
Cash and cash equivalents at the end of the financial year	4	2,752,538	1,517,043

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 2021**

1. REPORTING ENTITY

South Pacific Business Development Microfinance (Solomon Islands) Limited (or SPBD) is a privately owned microenterprise development organisation with a mission to provide financial services to economically disadvantaged people, particularly women who cannot access savings and loan products from traditional banks. SPBD provides unemployed and low income women entrepreneurs with financial services, training, ongoing guidance and motivation to help them start or grow micro-businesses so that they can improve their lives and that of their families. It was incorporated under the Companies Act 2009 on 13th April 2012. Its main office is located in 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 2021

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)	0.1216
Exchange rate used at balance sheet date (SBD/NZD)	0.1776
Exchange rate used at balance sheet date (SBD/AUD)	0.1674

(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.

**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 2021**

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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**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 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
4. CASH ON HAND AND IN BANK		
<i>Cash in bank</i>		
ANZ SBD account	1,577,553	92,602
BSP SBD account	439,992	556,466
BSP Gizo SBD account	7,909	15,857
BSP Munda SBD account	1,920	30,035
BSP-Term Deposit	565,169	540,800
BSP-Operating Account	159,995	281,283
TOTAL	2,752,538	1,517,043
5. LOAN PORTFOLIO		
LOAN RECEIVABLES		
Accumulative since inception		
Total Loan disbursements	146,695,882	132,483,824
Less: Total principal loan repayments since inception	(136,399,663)	(118,961,152)
Less: Loan write-offs	(2,673,902)	(2,081,212)
Gross Loan Portfolio	7,622,317	11,441,460
Less: Loan loss reserve	(224,476)	(163,398)
Net Loan Portfolio	7,397,841	11,278,062
 <i>No. of Loans Outstanding</i>		
SPBD Group Loan Product	1,935	2,946

Portfolio Quality Measurement

SPBD's main measure of loan delinquency is an aged portfolio-at-risk (PAR) ratio. Loans are separated into classes depending on the number of days they are in arrears. For each class of loans, the outstanding principal balance of such loans is divided by the outstanding principal balance of the gross loan portfolio. Loans are considered in arrears if any payment has fallen due and remained unpaid. Loan payments are applied first to any interest due, then to any instalment of principal that is due but unpaid, beginning with the earliest such instalment. The number of days of lateness is based on the due date of the earliest loan instalment that has not been fully paid.

Loan Provisioning and Loan Loss Reserve

Some loans in the portfolio will be uncollectible due to failure of individual members and/or the group/centre guarantee despite SPBD's best efforts. The purpose of loan loss provisioning is to set aside adequate funds or loan loss reserve to cover for potential losses. The loan loss reserve is to be reviewed quarterly and determined by applying predicted loss percentages to aged loans grouped by weeks in arrears.

		Honiara	Munda	Gizo	Total	
		Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	
Provisioning Ratios for Group Loans	Loan Loss Provision					Loan Loss Prov.Amt
1 week to 4 week late(<30 days)	5%	830,277	22,269	18,482	871,028	43,551
5 weeks to 8 weeks late(30 to 60 days late)	10%	397,529	27,122	22,947	447,598	44,760
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%	116,623	11,619	8,063	136,305	136,305
TOTAL PROVISIONING AS OF 31 DECEMBER 2020		1,344,428	61,010	49,492	1,454,931	224,616

**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 2021

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 2021 were considered and approved by the Director.

Loan Types	# of Accounts	31-Dec-21			# of Accounts	31-Dec-20		
		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)
Group Loans								
Current	1,374	5,924,142	-	-	2463	9,954,296	-	-
1-4 weeks late	219	860,673	-	-	197	556,617	-	-
5-8 weeks late	159	424,795	424,795	5.57%	186	521,981	521,981	4.64%
9-12 weeks late	-	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-	-
17-20 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	127	135,400	135,400	1.78%	45	67,363	67,363	0.60%
Sub-total	1,879	7,345,010	560,195	7.35%	2,891	11,100,258	589,344	5.24%
Higher Education Loan								
Current	21	33,324	-	-	42	96,713	-	-
1-4 weeks late	3	7,572	-	-	4	9,625	-	-
5-8 weeks late	8	23,707	23,707	0.31%	4	13,960	-	-
17-20 weeks late	-	-	-	-	-	-	-	-
Sub-total	32	64,603	23,707	0.31%	50	120,298	-	-
Staff Loans								
Current	24	212,704	-	-	26	184,540	-	-
1-4 weeks in arrears	-	-	-	-	1	19,600	-	-
Over 4 weeks in arrears	-	-	-	-	4	15,983	15,983	0.14%
Sub-total	24	212,704	-	-	5	35,583	-	0.14%
Grand Total	1,935	7,622,317	583,902	7.66%	2,946	11,256,139	589,344	5.38%

	2021	2020
	\$	\$
Movement in Loan Loss Reserve		
Loan reserve, 1 January	163,398	158,039
Loan loss provision expense for the year	667,643	582,536
Less: Loans written-off during the year	<u>(606,565)</u>	<u>(577,177)</u>
Loan reserve, 31 December	<u>224,476</u>	<u>163,398</u>

6. RECEIVABLES

Other receivables	20,729	36,596
	<u>20,729</u>	<u>36,596</u>

7. OTHER ASSETS

Staff advances	141,841	38,735
Stock - Passbooks	7,800	45,073
Stock - Receipt books	17,250	13,570
Rental bond - head office	126,500	126,500
Prepaid expenses	19,611	91,911
	<u>313,002</u>	<u>315,789</u>

**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 2021**

8. FIXED ASSETS

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
	\$	\$	\$	\$
Furniture & Fixtures	408,236	112,524	48,845	295,712
Furniture and fixtures	154,216	65,805	19,277	88,411
Computer equipment and peripherals	208,510	143,307	42,155	65,203
Motor vehicles	706,531	562,503	95,750	144,028
Office equipment	148,838	69,375	23,358	79,463
Software and electronic system	63,148	63,148	-	-
Building-Right of Use	975,188	203,164	491,907	772,024
2021 TOTAL	2,664,667	1,219,826	721,292	1,444,841
2020 TOTAL	2,742,118	1,562,808	764,362	1,179,310

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>2021</u>	<u>2020</u>
	<u>Number of saving accounts</u>	\$	\$
Clients saving balances	4,686 (2020: 8,440)	<u>1,945,960</u>	<u>2,782,328</u>

10. ACCOUNTS PAYABLE

Accrued Interest - holding company - SPBD Microfinance Holdings (Singapore) Pte Limited	33,462	439,344
Accounts payable - other	243,014	357,369
Employee deductions payable - PAYE, NPF and Basic rates	48,077	56,695
Accrued interest - Microdreams	-	60,826
Provision for income tax (see note 13(b))	20,000	20,000
	<u>344,553</u>	<u>934,234</u>

11. UNSECURED BORROWINGS

Current

Kiva loan	1,975,764	2,806,988
MicroDreams Foundation	-	-
SPBD Micro Finance Holdings	1,738,087	-
Gregory F. Casagrande	1,233,553	-
Evander Management Limited	-	-
Whole Planet Foundation	813,756	703,355
Total Current Unsecured Borrowings	<u>5,761,160</u>	<u>3,510,343</u>

Non-current

Kiva loan	-	-
MicroDreams Foundation	1,747,998	1,431,193
SPBD Micro Finance Holdings	20,394,711	21,616,371
Gregory F. Casagrande	563,062	591,017
Evander Management Limited	1,126,126	1,182,033
Whole Planet Foundation	2,806,839	3,634,823
Total Non-current Unsecured Borrowings	<u>26,638,736</u>	<u>28,455,437</u>

Total Unsecured Borrowings	<u>32,399,896</u>	<u>31,965,780</u>
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for the year ended 31st December 2021

11. UNSECURED BORROWINGS - cont'd	<u>2021</u>	<u>2020</u>
	\$	\$
11(a) KIVA LOAN		
Kiva loan	1,975,764	2,806,988

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 1/01/2021	Principal repayment	Balance 31/12/2021 (SBD)	Interest repayment (SBD)2021	Interest payable as at 31/12/2021 (SBD)
01-Aug-19	USD	128,052	8.50%	30/09/2023	4.00	1,067,100	1,047,032	-	1,053,060	88,524	-
01-Oct-19	NZD	65,000	8.50%	31/12/2023	4.50	344,462	384,161	-	365,991	32,338	-
19-Feb-21	USD	40,000	8.50%	30-Jun-24	3.80	315,706	-	-	328,947	10,885	-
						Total	1,727,268	1,431,193	1,747,998	131,746	-

11(c) 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 (2021)	Balance 31/12/2021(SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2021 (SBD)
01-Jan-19	USD	1,225,000	2.00%	31/12/2028	10.00	10,123,967	10,016,353	-	10,074,013	401,228	-
01-Jan-19	AUD	700,000	2.00%	31/12/2028	10.00	4,079,254	4,402,516	-	4,181,601	169,406	-
01-Jan-19	NZD	300,000	2.00%	31/12/2028	10.00	1,670,378	1,773,050	-	1,689,189	68,513	-
18-Apr-19	USD	160,000	2.00%	30/06/2022	3.90	1,598,721	1,308,258	-	1,315,789	32,849	-
29-Jun-19	NZD	100,000	6.00%	30/06/2025	6.00	531,401	591,017	-	563,063	68,513	-
30-Jul-19	USD	200,000	2.00%	31/12/2023	4.50	1,607,716	1,635,323	-	1,644,737	65,506	-
20-Sep-19	NZD	75,000	7.50%	31/12/2022	3.50	398,301	443,262	-	422,297	64,232	-
09-Dec-20	AUD	100,000	2.00%	31/12/2025	4.00	588,582	628,931	-	597,372	12,556	-
23-Dec-20	USD	100,000	2.00%	31/03/2021	-	791,879	817,661	-	822,368	17,129	-
12-Aug-21	USD	100,000	7.50%						822,368		
						Total	20,009,738	21,616,371	22,132,798	899,933	-

11(d) CASAGRANDE GREGORY

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount Received (SBD)	Beginning balance from 1/01/2020	Principal repayment (2021)	Balance 31/12/2021(SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2021 (SBD)
01-Jan-19	NZD	100,000	7.00%	31/12/2023	4.00	512,802	562,114	-	563,063	40,201	-
25-Nov-21	USD	150,000	8.00%	31-Dec-22		1,233,552	-	-	1,233,552	-	-
						Total	1,746,354	562,114	1,796,615	40,201	-

11(e) Evander Management Limited

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount Received (SBD)	Beginning balance from 1/01/2020	Principal repayment (2021)	Balance 31/12/2021(SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2021 (SBD)
21-May-20	NZD	200,000	6.00%	30/07/2023	3.50	1,002,004	-	-	1,126,126	68,406	-
						Total	1,002,004	-	1,126,126	68,406	-

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.

11(f) Whole Planet Foundation	<u>2021</u>	<u>2020</u>
	\$	\$
Whole Planet Foundation	3,620,595	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\$45,000 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 2021.

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		2021	2020
		\$	\$
12. Movement in Other Reserves			
12(a) Movement in Death Benefit Reserve			
Death benefit reserve, 1 January		13,179	40,179
Death benefit provision for the year		33,120	-
Less: Amounts paid during the year		<u>(19,851)</u>	<u>(27,000)</u>
Death benefit reserve, 31 December		<u>26,448</u>	<u>13,179</u>
12(b) Movement in Spousal Death benefit reserve			
Spousal death benefit reserve, 1 January		44,324	56,324
Spousal death benefit provision for the year		18,000	-
Less: Amounts paid during the year		<u>(18,163)</u>	<u>(12,000)</u>
Spousal death benefit reserve, 31 December		<u>44,161</u>	<u>44,324</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			
Net surplus/(deficit) per the profit and loss account		(1,880,483)	(2,563,561)
<i>Add: Non deductible expenses</i>			
Depreciation and amortisation for accounting purposes		721,292	764,362
Loan loss provision/Life insurance and spousal insurance		74,347	5,359
Interest on lease liabilities		46,273	48,934
Net loss on disposal of assets		2,553,569	29,021
Tax penalties		56,643	-
Tax loss carry forward amount expired		-	3,119,951
		<u>1,571,641</u>	<u>1,404,066</u>
<i>Less: Deductible expenses/non-assessable revenue</i>			
Tax loss carried forward		11,211,920	11,738,149
Depreciation for taxation purposes		233,867	293,837
Loan loss provision/Life insurance and spousal insurance		163	39,000
Lease payments		540,000	540,000
Exempt interest income		<u>5,000</u>	<u>5,000</u>
Taxable income / (loss)		<u>(10,419,309)</u>	<u>(11,211,920)</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, 2021 amounted to \$10,419,309 (2020: \$11,211,920). The benefit of this loss which at the rates prevailing at balance date amounted to \$3,125,793 (2020: \$3,363,576) 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			
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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NOTES TO AND FORMING PART OF THE ACCOUNTS
for the year ended 31st December 2021

11. UNSECURED BORROWINGS - cont'd	<u>2021</u>	<u>2020</u>
	\$	\$
11(a) KIVA LOAN		
Kiva loan	1,975,764	2,806,988

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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						Total	1,727,268	1,431,193	1,747,998	131,746	-

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11(d) CASAGRANDE GREGORY

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						Total	1,746,354	562,114	1,796,615	40,201	-

11(e) Evander Management Limited

21-May-20	NZD	200,000	6.00%	30/07/2023	3.50	1,002,004	-	-	1,126,126	68,406	-
						Total	1,002,004	-	1,126,126	68,406	-

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11(f) Whole Planet Foundation	<u>2021</u>	<u>2020</u>
	\$	\$
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MICROFINANCE (SOLOMON ISLANDS) LIMITED**
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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 (2020: \$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:

	2021 \$	2020 \$
ROU-buildings balance as at 1 January	975,188	989,975
Amortisation	203,164	701,233
ROU-buildings balance as at 31 December	772,024	288,742
Lease liabilities		
Current	540,000	306,261
Non-Current	247,722	-
	787,722	306,261

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

	306261	
Lease liabilities -buildings balance as at 1 January	306,261	797,327
Additional lease during the year	975,188	
Interest expense	46,273	48,934
Less: Lease payments	(540,000)	(540,000)
Lease liabilities -buildings balance as at 31 December	787,722	306,261

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 2021 (2020: \$nil).

19. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2021 (2020: \$nil).

20. GOING CONCERN

The company made a loss during the year and has a deficiency in equity of \$23,619,789 at 31st December 2021. 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 and community spread of COVID-19 occurred in the Solomons in early 2022. 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.