

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

COMPANY NUMBER: 20129967

**BALANCE SHEET AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2025**

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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, 2025 together with their annual report.

The accompanying balance sheet and accounts on pages 4 to 18 show that operations for the year ended 31st December 2025 resulted in a surplus of \$3,907,082 (2024: surplus of \$2,304,853) after income tax benefit of \$1,203,257 (2024: \$nil). 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 2025 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2025 (2024: \$nil).

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

Dated at *Honiara* this *16th* day of *April* 2026.

BY ORDER OF THE BOARD

DocuSigned by:
Gregory Casagrande
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 2025, 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 18.

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 2025, 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 2025.
- (c) proper books and accounts have been kept by the company as far as it appears from the examination of those books.

Basis for Opinion

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

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

Emphasis of Matter

Without qualifying our opinion, we draw your attention to note 20 to the financial statements which details the basis for preparing the accounts on a going concern basis and notes that the company is dependent on the continuing support of its shareholders. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

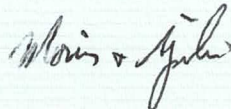
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

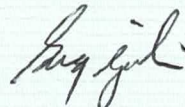
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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



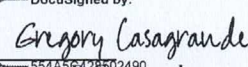
BY GREG SOJNOCKI,
PARTNER

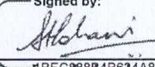
Date: 16 April 2026
Honiara

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD
STATEMENT OF FINANCIAL POSITION
COMPANY NUMBER: 20129967
FOR THE YEAR ENDED 31ST DECEMBER 2025

	<u>Note</u>	<u>2025</u> \$	<u>2024</u> \$
ASSETS			
Current assets			
Cash on hand and in bank	9	1,196,682	1,854,437
Net loan portfolio outstanding	10	11,525,309	9,448,872
Other assets	11	297,567	312,225
Total current assets		13,019,558	11,615,534
Fixed assets			
Fixed assets	12 (a)	3,830,001	2,839,738
Less: Accumulated depreciation	12 (a)	(2,422,125)	(1,703,811)
Net fixed assets		1,407,876	1,135,927
Non-current assets			
Intangible assets	12 (b)	247,259	-
Deferred tax assets	18 (b)	1,203,257	-
Total non-current assets		1,450,516	-
TOTAL ASSETS		15,877,950	12,751,461
LIABILITIES			
Current liabilities			
Member savings	13	3,873,053	2,727,408
Accounts payable	14	413,184	1,285,836
Reserves	17	67,326	61,609
Lease liability	20	540,000	304,765
External borrowing-current	16	3,833,109	3,261,240
Total current liabilities		8,726,672	7,640,858
Non Current liabilities			
Lease liability	20	247,720	-
Intercompany borrowings	15	22,507,756	25,006,205
External borrowings	16	4,964,953	4,580,631
Total non-current liabilities		27,720,429	29,586,836
TOTAL LIABILITIES		36,447,101	37,227,694
EQUITY			
Issued capital	19	1,047,425	1,047,425
Retained earnings/(Accumulated loss)		(25,523,658)	(27,828,511)
Profit for the year		3,907,082	2,304,853
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		(20,569,151)	(24,476,233)
TOTAL LIABILITIES AND EQUITY		15,877,950	12,751,461

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 18.

DocuSigned by:

 554456428502490
 Gregory F. Casagrande
 Director

Signed by:

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 Samir P. Bhatt
 Director

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
COMPANY NUMBER: 20129967
FOR THE YEAR ENDED 31ST DECEMBER 2025

	<u>Note</u>	<u>2025</u> \$	<u>2024</u> \$
Financial Income			
Interest on loans		5,492,266	4,420,277
Development fees		650,426	512,428
Loan security fees		647,503	492,416
Death benefit fees	4 (a)	204,075	183,830
Program fees	4 (b)	171,718	124,816
Total Financial Income		<u>7,165,988</u>	<u>5,733,767</u>
Financial Expenses			
Interest and other financial charges on borrowed funds		(1,866,780)	(1,508,152)
Interest on member deposits		(103,827)	(69,035)
Guarantee fees		(149,459)	-
Interest on lease liabilities		(47,767)	(57,034)
Total Financial Expenses (Excluding FX)		<u>(2,167,833)</u>	<u>(1,634,221)</u>
Foreign exchange gains/(losses)	5	164,679	947,427
NET FINANCIAL INCOME		<u>5,162,834</u>	<u>5,046,973</u>
Other operating income	6	27,603	15,610
TOTAL OPERATING INCOME		<u>5,190,437</u>	<u>5,062,583</u>
Provisioning and reserves	10, 17 (a), 17 (b)	(74,694)	(191,166)
Operating expenses	8	(5,327,145)	(4,545,720)
Net operating surplus/(deficit)		<u>(211,402)</u>	<u>325,697</u>
Non-operating income	7	2,915,227	1,979,156
Net surplus/(deficit) before taxation		<u>2,703,825</u>	<u>2,304,853</u>
Income tax expense/(benefit)	18(a)	(1,203,257)	-
Net surplus/(deficit) after taxation		<u>3,907,082</u>	<u>2,304,853</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 18.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
COMPANY NUMBER: 20129967
STATEMENT OF CHANGES IN EQUITY for the year ended 31st December 2025

	Share capital	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 January 2024	1,047,425	(27,828,511)	(26,781,086)
Profit for the year	-	2,304,853	2,304,853
<i>Transactions with shareholders</i>			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with shareholders	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2024	<u>1,047,425</u>	<u>(25,523,658)</u>	<u>(24,476,233)</u>
Profit for the year	-	3,907,082	3,907,082
<i>Transactions with shareholders</i>			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with shareholders	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2025	<u>1,047,425</u>	<u>(21,616,576)</u>	<u>(20,569,151)</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 18.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
COMPANY NUMBER: 20129967

STATEMENT OF CASH FLOWS for the year ended 31st December 2025

	<u>Note</u>	<u>2025</u>	<u>2024</u>
		\$	\$
Cash flows from operating activities			
Funds advanced to customers		(22,187,046)	(17,543,386)
Funds repayment by customers		20,094,673	16,340,860
Interest received on loans		5,492,266	4,420,277
Other receipts		4,616,552	1,376,778
Interest payments on deposits		(2,993,334)	(2,062,258)
Interest on lease payments		(47,767)	(57,034)
Cash payments to employees and suppliers		(4,546,194)	(4,078,089)
Income taxes paid		-	(20,000)
Net cash flows from / (used in) operating activities		<u>429,150</u>	<u>(1,622,852)</u>
Cash flows from investing activities			
Purchase of fixed assets		(314,971)	(517,497)
Net cash flows from / (used in) investing activities		<u>(314,971)</u>	<u>(517,497)</u>
Cash flows from financing activities			
Proceeds from borrowing - Soft loans		956,191	6,387,041
Repayments of borrowing - Soft loans		(2,498,449)	(3,771,622)
Lease payments		(540,000)	(482,966)
Member savings net deposits/(withdrawals)		1,145,645	458,591
Net cash flows from / (used in) financing activities		<u>(936,613)</u>	<u>2,591,044</u>
Net increase / (decrease) in cash and cash equivalents		(822,434)	450,695
Foreign currency adjustment		164,679	-
Cash and cash equivalents at the beginning of the financial year		<u>1,854,437</u>	<u>1,403,742</u>
Cash and cash equivalents at the end of the financial year	9	<u>1,196,682</u>	<u>1,854,437</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 18.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the year ended 31st December 2025

1. REPORTING ENTITY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Reporting Currency

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

(b) Cash and Cash Equivalents

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

(c) Depreciation

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

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

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

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

(d) Revenue

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

i. Interest Income - Interest income from loan portfolio and term deposits is recognised using the cash based method where they are recognised at the time they are received.

ii. Development Fee – SPBD charges a fee of 3% of principal loan amount to be used to cover the cost of training the clients, loan evaluation and monitoring. This fee is deducted from the loan proceeds.

iii. Member Death Loan Coverage Fee (MDLC) – This fee is of the loan principal to cover the risk in the event of death of the client. A member's loan obligations to SPBD will be eliminated upon the death of that member. The loan security fee of 3% of the loan principal is deducted from the loan proceeds.

iv. Member Death Benefit Fee – SPBD offers a Death Benefit Product to help the families of SPBD members to reduce the burden of bereavement and funeral expenses when the member dies. When an SPBD member dies during the period of the loan, her beneficiaries will receive a fixed payment of SBD3000. The death benefit fee is deducted from the loan proceeds and is based on the period of 50 weeks for \$45.

v. Savings Fees – A fee of \$5 is charged by SPBD to its member when they withdraw from their savings account and are recognised in the period in which they are received.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the year ended 31st December 2025

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

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years. 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.

Year end exchange rates used are the Group exchange rates used by the parent entity, sourced from www.oanda.com, consistent with the approach in 2024. Islands, as follows:

	<u>2025</u>	<u>2024</u>
USD to SBD	0.1234	0.12080
NZD to SBD	0.21405	0.21392
AUD to SBD	0.18469	0.19396

(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 LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the year ended 31st December 2025

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.

(o) Intangible assets

Development and implementation costs for software are accounted for in accordance with IAS 38 Intangible Assets. Maintenance costs are expensed as incurred, while development costs directly attributable to the design, testing and implementation of identifiable software are capitalised as intangible assets when recognition criteria are met. These include costs related to the setup and configuration of both existing and new banking software systems, where future economic benefit are expected. Capitalised costs are subsequently amortised over their useful lives from the date the asset is available for use.

(p) CHANGE IN ACCOUNTING POLICY - DEFERRED TAX

With effect from 1 January 2025, the Company adopted the deferred tax method of accounting for income tax, as set out in IAS 12 Income Taxes, in order to comply with Group accounting policies. Previously, the company adopted the taxes payable method of accounting for income tax. The change in accounting policy has been accounted for retrospectively. Under the new policy, a deferred tax asset of \$2,012,904 would have resulted at the end of the 2024 financial year. However, it was assessed that, based on the information available at that time, the amount was not considered to be recoverable and therefore would not have been recognised in the balance sheet as an asset. A similar situation existed at the end of the 2023 year. Consequently, it was determined that the change in accounting policy resulted in no change in the 2024 comparative figures and therefore no amounts needed to be re-stated.

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.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the year ended 31st December 2025

		<u>2025</u>	<u>2024</u>
4.	FEES (Death benefit fees and program fees)	\$	\$
4 (a).	Death Benefit Fees		
	Member death benefit fees	120,465	114,935
	Spousal death benefit fees	83,610	68,895
	Total death benefit fees	<u>204,075</u>	<u>183,830</u>
4 (b).	Program Fees		
	Financial booklet issuance fees	115,650	67,300
	Savings withdrawal fees	53,660	46,367
	Resignation fees	2,408	11,149
	Total program fees	<u>171,718</u>	<u>124,816</u>
5.	Foreign Exchange		
	Net foreign exchange gain	<u>164,679</u>	<u>947,427</u>
6.	Other operating income		
	Other income comprises write-off recoveries, interest earned on bank accounts and term deposits, commissions, and other operating income. These amounts are recognized in the Statement of Profit or Loss and other Comprehensive Income when the income is earned or when the related services are provided.		
		<u>2025</u>	<u>2024</u>
		\$	\$
	Commissions earned	15,184	6,562
	Loan write-off recoveries	12,419	9,048
		<u>27,603</u>	<u>15,610</u>
7.	Non-operating income		
	Non-operating income for the year ended 31 December included Grants and donations of \$543,962 (2024: \$nil), comprised of grant income from the Society of Mary, partner contributions for the SPBD Annual Business Women of the Year Awards, and grant support from the Pacific Trade Invest New Zealand (PTI NZ), to support member training activities in the Solomon Islands. Refer to note 15 (b) for details of the gain on loan forgiveness.		
		<u>2025</u>	<u>2024</u>
		\$	\$
	Gain on loan forgiveness	2,339,106	1,889,361
	Grants and donations	543,962	-
	Gain on disposal of fixed assets	-	42,117
	Interest earned on bank accounts and term deposits	32,159	47,678
		<u>2,915,227</u>	<u>1,979,156</u>
8.	Operating expense		
	Bank charges	19,677	15,846
	Computer support system	80,487	47,970
	Conference and meetings	60,324	48,402
	Depreciation	283,357	246,454
	Depreciation-right of use assets	487,594	487,594
	Electricity and water	163,528	174,662
	Events and festivals	87,921	38,956
	Insurance	68,469	46,767
	BWY award	122,772	-
	Marketing and advertisement	6,492	3,497
	Office expenses	205,943	144,983
	Postage, telephone and communications	98,604	168,362
	Printing and office stationeries	219,197	123,554
	Professional services (audit, legal, other professional)	235,000	230,169
	Rentals	579,805	516,662
	Repairs and maintenance	174,575	187,531
	Registration fees	32,848	33,846
	Salaries and benefits	1,637,297	1,506,079
	Subscriptions	550	4,282
	Transportation, fuel, oil	225,138	257,240
	Travel	537,567	262,864
	Total operating expenses	<u>5,327,145</u>	<u>4,545,720</u>

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9.	CASH ON HAND AND IN BANK	<u>2025</u>	<u>2024</u>
	<i>Cash in bank</i>	\$	\$
	ANZ SBD account		
	BSP SBD account	226,499	221,387
	BSP Gizo SBD account	128,842	167,347
	BSP Munda SBD account	6,506	816
	POB SBD account	448	363
	POB USD account	3,452	4,706
	BSP-Term Deposit	1,053	826,668
	BSP-Operating Account	817,215	590,602
	Undeposited Collection	12,667	13,139
	TOTAL	<u>1,196,682</u>	<u>1,854,437</u>
10.	LOAN PORTFOLIO		
	LOAN RECEIVABLES		
	Accumulative since inception		
	Total Loan disbursements		
	Less: Total principal loan repayments since inception	213,922,664	191,735,618
	Less: Loan write-offs	(198,764,695)	(178,670,070)
	Gross Loan Portfolio	<u>11,652,476</u>	<u>9,560,103</u>
	Less: Loan loss reserve	(127,167)	(111,231)
	Net Loan Portfolio	<u>11,525,309</u>	<u>9,448,872</u>
	No. of Loans Outstanding		
	SPBD Group Loan Product	<u>2,557</u>	<u>2,046</u>

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. In 2024, SPBD updated its loan provisioning policy to ensure sufficient reserves for 2025 based on past results. Under this updated policy a 1% provision will now be applied to all current group loans. The loan loss reserve is to be reviewed quarterly and determined by applying predicted loss percentages to aged loans grouped by weeks in arrears.

Provisioning Ratios for Group ALL loan types	Loan Loss Provision	Group Loans		Higher Education Loans	Seasonal Workers Loans	Solar Energy Loans	White Goods Financing Loans	Staff Loans	Total	Loan Loss Prov Amt
		Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	
Current Loan Portfolio	1%	10,869,240	253,929	151,324	5,519	80,777	194,637	11,555,426	115,554	
1 week to 4 week late(<30 days)	5%	81,217	6,514	-	-	-	2,202	89,933	4,496	
5 weeks to 8 weeks later(30 to 60 days late)	10%	-	-	-	-	-	-	-	-	
9 weeks to 12 weeks later(60 to 90 days late)	25%	-	-	-	-	-	-	-	-	
13 weeks to 16 weeks later(90 to 120 days late)	50%	-	-	-	-	-	-	-	-	
17 weeks to 20 weeks later(120 to 150 days late)	75%	-	-	-	-	-	-	-	-	
21 weeks or more(150+ days)	100%	3,520	-	3,597	-	-	-	7,117	7,117	
TOTAL PROVISIONING AS OF 31 DECEMBER 2025		10,953,977	260,443	154,921	5,519	82,979	194,637	11,652,476	127,167	

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10. **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 2025 were considered and approved by the Director.

Loan Types	31-Dec-25				31-Dec-24			
	# of Accounts	Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)	# of Accounts	Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)
Group Loans								
Current	2,310	10,869,240	-	-	1,826	8,983,488	-	-
1-4 weeks late	21	81,217	-	-	25	99,569	-	-
5-8 weeks late	-	-	-	-	4	7,757	7,757	0.08%
9-12 weeks late	-	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-	-
17-20 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	2	3,520	3,520	0.03%	12	10,557	10,557	0.11%
Sub-total	2,333	10,953,977	3,520	0.03%	1,867	9,101,371	18,314	0.19%
Higher Education Loans								
Current	106	253,929	-	-	48	102,997	-	-
1-4 weeks late	4	6,514	-	-	2	1,034	-	-
5-8 weeks late	-	-	-	-	1	1,467	1,467	0.02%
17-20 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	-	-	-	-	-	-	-	-
Sub-total	110	260,443	-	0.00%	51	105,498	1,467	0.02%
Seasonal Workers Loans								
Current	43	151,324	-	-	31	96,985	-	-
1-4 weeks in arrears	-	-	-	-	-	-	-	-
5-8 weeks late	-	-	-	-	-	-	-	-
9-12 weeks late	-	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-	-
17-21 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	3	3,597	3,597	0.03%	-	-	-	-
Sub-total	46	154,921	3,597	0.03%	31	96,985	-	0.00%
Solar Energy Loans								
Current	5	5,519	-	-	-	-	-	-
1-4 weeks in arrears	-	-	-	-	-	-	-	-
5-8 weeks late	-	-	-	-	-	-	-	-
9-12 weeks late	-	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-	-
17-21 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	-	-	-	-	-	-	-	-
Sub-total	5	5,519	-	0.00%	-	-	-	0.00%
White Financing Goods Loans								
Current	33	80,777	-	-	18	39,695	-	-
1-4 weeks in arrears	1	2,202	-	-	1	3,607	-	-
5-8 weeks late	-	-	-	-	-	-	-	-
9-12 weeks late	-	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-	-
17-21 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	-	-	-	-	-	-	-	-
Sub-total	34	82,979	-	0.00%	19	43,302	-	0.00%
Staff Loans								
Current	29	194,637	-	-	35	178,575	-	-
1-4 weeks in arrears	-	-	-	-	-	-	-	-
5-8 weeks late	-	-	-	-	-	-	-	-
9-12 weeks late	-	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-	-
17-21 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	-	-	-	-	-	-	-	-
Sub-total	29	194,637	-	0.00%	35	178,575	-	0.00%
Business Revival Loans								
Current	-	-	-	-	39	29,875	-	-
1-4 weeks in arrears	-	-	-	-	4	4,497	-	-
5-8 weeks late	-	-	-	-	-	-	-	-
9-12 weeks late	-	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-	-
17-21 weeks late	-	-	-	-	-	-	-	-
Over 21 weeks late	-	-	-	-	-	-	-	-
Sub-total	-	-	-	0.00%	43	34,372	-	0.00%
Grand Total	2,557	11,652,476	7,117	0.06%	2,046	9,560,103	19,781	0.21%

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		<u>2025</u>	<u>2024</u>
		\$	\$
10. LOAN PORTFOLIO - cont'd			
Movement in Loan Loss Reserve			
Loan reserve, 1 January		111,231	129,510
Loan loss provision expense for the year		25,522	131,166
Less: Loans written-off during the year		<u>(9,586)</u>	<u>(149,445)</u>
Loan reserve, 31 December		<u><u>127,167</u></u>	<u><u>111,231</u></u>
11. OTHER ASSETS			
Stock - Passbooks		10,200	9,360
Stock - Receipt books		230	5,750
Rental bond - head office		123,500	139,978
Prepaid expenses		<u>163,637</u>	<u>157,137</u>
		<u><u>297,567</u></u>	<u><u>312,225</u></u>
12. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS			
12 (a). FIXED ASSETS			

	Leasehold improvements	Motor Vehicle	Fixtures and fittings	Office equipment	Computer equipment and Peripherals	Building- Right of Use	Total
Reconciliation for the year ended 31 December 2025							
Balance at 1 January 2025							
At Cost	430,746	838,000	184,523	195,488	163,156	975,188	2,787,101
Accumulated depreciation	<u>(271,326)</u>	<u>(328,333)</u>	<u>(128,221)</u>	<u>(124,374)</u>	<u>(108,162)</u>	<u>(690,758)</u>	<u>(1,651,174)</u>
Carrying amount	<u>159,420</u>	<u>509,667</u>	<u>56,302</u>	<u>71,114</u>	<u>54,994</u>	<u>284,430</u>	<u>1,135,927</u>
Movement for the year ended 31 December 2025							
Additions from acquisition	-	-	9,425	5,900	52,387	975,188	1,042,900
Disposals	-	-	-	-	-	-	-
Depreciation	<u>(53,843)</u>	<u>(169,500)</u>	<u>(16,999)</u>	<u>(15,197)</u>	<u>(27,818)</u>	<u>(487,594)</u>	<u>(770,951)</u>
Property, plant and equipment at the end of the year	<u>105,577</u>	<u>340,167</u>	<u>48,728</u>	<u>61,817</u>	<u>79,563</u>	<u>772,024</u>	<u>1,407,876</u>
Closing balance at 31 December 2025							
At cost	430,746	838,000	193,948	201,388	215,543	1,950,376	3,830,001
Accumulated depreciation	<u>(325,169)</u>	<u>(497,833)</u>	<u>(145,220)</u>	<u>(139,571)</u>	<u>(135,980)</u>	<u>(1,178,352)</u>	<u>(2,422,125)</u>
Carrying amount	<u>105,577</u>	<u>340,167</u>	<u>48,728</u>	<u>61,817</u>	<u>79,563</u>	<u>772,024</u>	<u>1,407,876</u>
Reconciliation for the year ended 31 December 2024							
Balance at 1 January 2024							
At Cost	430,746	716,500	167,860	187,688	175,282	975,188	2,653,264
Accumulated depreciation	<u>(217,482)</u>	<u>(518,250)</u>	<u>(106,604)</u>	<u>(105,685)</u>	<u>(134,683)</u>	<u>(203,165)</u>	<u>(1,285,869)</u>
Carrying amount	<u>213,264</u>	<u>198,250</u>	<u>61,256</u>	<u>82,003</u>	<u>40,599</u>	<u>772,023</u>	<u>1,367,395</u>
Movement for the year ended 31 December 2024							
Additions from acquisition	-	443,000	16,663	7,800	39,200	-	506,663
Disposals	-	(4,083)	-	-	-	-	(4,083)
Depreciation	<u>(53,844)</u>	<u>(127,500)</u>	<u>(21,617)</u>	<u>(18,689)</u>	<u>(24,805)</u>	<u>(487,593)</u>	<u>(734,048)</u>
Property, plant and equipment at the end of the year	<u>159,420</u>	<u>509,667</u>	<u>56,302</u>	<u>71,114</u>	<u>54,994</u>	<u>284,430</u>	<u>1,135,927</u>
Closing balance at 31 December 2024							
At cost	430,746	838,000	184,523	195,488	163,156	975,188	2,787,101
Accumulated depreciation	<u>(271,326)</u>	<u>(328,333)</u>	<u>(128,221)</u>	<u>(124,374)</u>	<u>(108,162)</u>	<u>(690,758)</u>	<u>(1,651,174)</u>
Carrying amount	<u>159,420</u>	<u>509,667</u>	<u>56,302</u>	<u>71,114</u>	<u>54,994</u>	<u>284,430</u>	<u>1,135,927</u>

		<u>2025</u>	<u>2024</u>
		\$	\$
12 (b). INTANGIBLE ASSETS			
Cost			
Opening balance		63,148	63,148
Additions-work in progress		247,259	-
Closing balance		<u>310,407</u>	<u>63,148</u>
Accumulated Amortisation			
Opening balance		63,148	63,148
Amortisation		-	-
Closing balance		<u>63,148</u>	<u>63,148</u>
Net book value-31 December		<u><u>247,259</u></u>	<u><u>-</u></u>

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13. CLIENTS' SAVINGS DEPOSITS

SPBD promotes good management of household finances by its members. It further promotes that a household with sufficient savings is assured of having cash when an unforeseen event occurs.

SPBD actively encourages its members to develop a regular habit of savings. All members are required to open a savings account and deposit an initial amount of SBD30. This must be performed prior to any 1st cycle loan disbursement occurring.

Members are also encouraged to make voluntary deposits during centre meetings or at the SPBD office. These voluntary deposits can be withdrawn at any time when needed by the member.

The number of savings accounts as of the end of the financial year is:

	<u>Number of saving accounts</u>	<u>2025</u>	<u>2024</u>
		\$	\$
Clients saving balances	6,911 (2024: 5,780)	3,873,053	2,727,408

14. ACCOUNTS PAYABLE

Accrued interest - holding company - SPBD Microfinance Holdings (Singapore) Pte Ltd.	-	845,484
Accrued interest-Development Bank of Solomon Islands	35,294	63,078
Accounts payable - other	334,496	349,754
Employee deductions payable - PAYE, NPF and Basic rates	43,394	27,520
Provision for income tax (see note 13(b))	-	-
		1,285,836

15. INTERCOMPANY BORROWINGS

15 (a). SPBD maintains an intercompany borrowings arrangement with its parent entity, under which it has received funding to support its ongoing operation and liquidity needs. Refer note 15(b). for details of Intercompany borrowings.

	<u>2025</u>	<u>2024</u>
	\$	\$
Current		
<u>Unsecured Borrowings</u>		
SPBD Microfinance Holdings (Singapore) Pte.Ltd	-	-
Total current unsecured borrowings	-	-
Non-current		
<u>Unsecured Borrowings</u>		
SPBD Microfinance Holdings (Singapore) Pte.Ltd	22,507,756	25,006,205
Total non-current unsecured borrowings	22,507,756	25,006,205
Total unsecured borrowings	22,507,756	25,006,205
Currency profile		
US Dollar-USD	16,004,862	17,922,185
AUD Dollar-AUD	4,494,018	4,279,233
NZ Dollar-NZD	2,008,876	2,804,787
Total intercompany borrowing	22,507,756	25,006,205

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15. INTERCOMPANY BORROWING - cont'd
15 (b) SPBD MicroFinance Holdings (Singapore) Pte. Ltd.

The loans with SPBD MicroFinance Holdings (Singapore) Pte Ltd. are unsecured. There are no deposits tied to these loans and no guarantee was obtained to secure them. The outstanding loan balances were re-structured in year 2024 to revise the repayment schedule and related terms. Based on the latest restructuring, principal repayments are scheduled to commence from 2030 onwards. No additional borrowings were received during the year. In December 2025, the Board of the lender SPBD Singapore approved the forgiveness of five loans, with principal amounts of USD100,000, USD50,000, USD 40,000, NZD100,000 and NZD70,000.

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount received (SBD)	Beginning balance from 1/01/2025	Loans forgiven (2025)	Balance 31/12/2025 (SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2025 (SBD)
01-Jan-19	USD	1,225,000	4.00%	30/09/2032	10	10,123,967	10,140,728	-	9,927,066	820,480	-
01-Jan-19	AUD	700,000	4.00%	30/09/2032	10	4,079,254	3,608,992	-	3,790,135	229,719	-
01-Jan-19	NZD	300,000	4.00%	30/09/2032	10	1,670,378	1,402,393	-	1,401,542	88,132	-
15-Apr-19	USD	40,000	2.00%	31/12/2025	-	1,598,721	331,126	324,149	-	20,213	-
03-Jun-19	NZD	100,000	6.00%	31/12/2030	6	531,401	467,464	467,181	-	59,506	-
21-Jun-19	USD	150,000	2.00%	30/06/2031	4.5	1,607,716	1,241,722	-	1,215,559	41,791	-
07-Dec-20	AUD	100,000	2.00%	31/12/2031	4	588,582	515,570	-	541,448	21,858	-
20-Dec-20	USD	100,000	2.00%	31/12/2031	3.6	791,879	827,815	-	810,373	33,469	-
12-Aug-21	USD	100,000	2.00%	31/12/2032	3.4	-	-	-	-	63,193	-
20-Jun-22	USD	100,000	6.50%	30/12/2032	3.2	-	-	-	-	67,405	-
04-Aug-22	USD	100,000	2.00%	30/09/2032	3.3	807,260	827,815	-	810,373	33,595	-
05-Oct-22	USD	100,000	2.00%	31/12/2033	-	-	827,815	810,373	-	109,147	-
18-Nov-22	USD	50,000	6.50%	31/12/2033	5.1	404,478	413,907	405,186	-	54,582	-
12-Dec-22	NZD	70,000	6.50%	31/12/2033	4.9	357,496	327,225	327,026	-	47,373	-
06-Jun-23	NZD	100,000	2.00%	31/12/2033	4.6	499,783	467,464	-	467,181	15,553	-
17-Jul-23	USD	100,000	2.00%	31/12/2033	4.6	821,865	827,815	-	810,373	24,328	-
18-Sept-23	USD	150,000	2.00%	31/12/2033	5.6	1,253,394	1,241,722	-	1,215,559	32,120	-
10-Dec-23	AUD	30,000	2.00%	31/12/2033	5	170,863	154,671	-	162,434	3,288	-
10-Dec-23	NZD	30,000	2.00%	31/12/2033	5	155,509	140,239	-	140,154	2,863	-
22-Feb-24	USD	50,000	2.00%	31/06/2033	5.5	-	413,907	-	405,186	8,306	-
25-Oct-25	USD	100,000	8.00%	31/12/2033	3.2	-	827,815	-	810,373	79,293	-
Total						25,462,545	25,006,205	2,333,915	22,507,756	1,856,214	-

16. EXTERNAL BORROWINGS

16(a) SPBD maintains external borrowing arrangements with financial institutions and other third-party lenders to support its ongoing operations and liquidity needs. Refer to note 16 (b)-(d) for details of external borrowings.

Current

External Borrowings

	2025 \$	2024 \$
MicroDreams Foundation	-	-
Kiva Fund	2,656,638	2,967,122
Development Bank of Solomon Islands	1,176,471	294,118
Total current external borrowings	3,833,109	3,261,240

Non-current

External Borrowings

MicroDreams Foundation	1,399,109	1,874,749
Kiva Fund	-	-
Development Bank of Solomon Islands	3,565,844	2,705,882
Total non-current external borrowings	4,964,953	4,580,631
Total external borrowings	8,798,062	7,841,871

Currency profile

US Dollar-USD	3,588,567	4,374,407
NZ Dollar-NZD	467,181	467,464
Solomon Island Dollar-SBD	4,742,315	3,000,000
Total external borrowings	8,798,062	7,841,871

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16.	EXTERNAL BORROWINGS - cont'd	<u>2025</u>	<u>2024</u>
		\$	\$
16 (b)	MicroDreams Foundation	<u>1,399,109</u>	<u>1,874,749</u>

The loans from MicroDreams Foundation are unsecured, with no deposits tied to them and no guarantees obtained to secure them. The loan obtained in 2023 will start maturing in 2027, and the loan received in 2024 is scheduled to mature in 2028.

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount Received (SBD)	Beginning balance from 1/01/2025	Principal repayment	Balance 31/12/2025 (SBD)	Interest repayment (SBD)2025	Interest payable as at 31/12/2025 (SBD)
19-Apr-19	USD	40,000	8.50%	31-Mar-27	4.1	-	331,126	334,126	-	27,071	-
19-Sept-23	NZD	50,000	8.50%	30-Sept-27	3.1	-	233,732	-	233,590	28,189	-
04-Dec-23	NZD	50,000	8.50%	31-Dec-27	3.1	-	233,732	-	233,590	28,189	-
15-Dec-23	USD	15,000	8.50%	31-Mar-28	4.4	-	248,344	125,313	121,556	19,649	-
25-Oct-24	USD	100,000	8.50%	31-Oct-28	3.5	-	827,815	-	810,373	83,955	-
					Total	-	1,874,749	459,439	1,399,109	187,053	-

16 (c)	KIVA Loan	<u>2025</u>	<u>2024</u>
		\$	\$
	Balance as at 31 December	<u>2,656,638</u>	<u>2,967,122</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.

16 (d)	Development Bank of Solomon Islands	<u>2025</u>	<u>2024</u>
		\$	\$
	Opening balance-1 January		-
	Add: additional loan during the year	3,000,000	
	Less: repayments during the year	2,000,000	3,000,000
	Total as at 31 December	<u>(257,685)</u>	<u>-</u>
		<u>4,742,315</u>	<u>3,000,000</u>
	Current	1,176,471	294,118
	Non-current	3,565,844	2,705,882
	Total as at 31 December	<u>4,742,315</u>	<u>3,000,000</u>

In 2024, South Pacific Business Development Microfinance (Solomon Islands) Limited (SPBD) secured a loan from the Development Bank of Solomon Islands (DBSI) to help grow its microfinance program, expand its loan portfolio, and introduce new loan products in collaboration with service providers. The total loan facility is \$5,000,000, with an initial disbursement of \$3,000,000 received in 2024, and the remaining \$2,000,000 in 2025. The loan carries an interest rate of 9% per annum and has a 5-year term, with quarterly interest payments starting from Year 1. There was a revision to the initial loan agreement and Principal repayment now commenced in Year 2 instead of Year 3 and will continue through Years 3, 4 and 5, in twelve quarterly installments. The loan is secured by a specific assignment over the loan portfolio, covering 100% of the outstanding principal balance, including accrued interest and bank fees. SPBD Microfinance Holding (Singapore) PTE LTD has provided a cross guarantee and indemnity for the loan, ensuring coverage of the outstanding balance, including principal, interest, and fees. Additionally, a deed of subordination ensures that the loan takes priority over shareholder claims.

17.	Movement in Other Reserves	<u>2025</u>	<u>2024</u>
		\$	\$
17(a)	Movement in Death Benefit Reserve		
	Death benefit reserve, 1 January	41,448	35,448
	Death benefit provision for the year	25,336	30,000
	Less: Amounts paid during the year	(12,000)	(24,000)
	Death benefit reserve, 31 December	<u>54,784</u>	<u>41,448</u>
17(b)	Movement in Spousal Death benefit reserve		
	Spousal death benefit reserve, 1 January	20,161	17,161
	Spousal death benefit provision for the year	23,836	30,000
	Less: Amounts paid during the year	(31,455)	(27,000)
	Spousal death benefit reserve, 31 December	<u>12,542</u>	<u>20,161</u>

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18.	TAXATION	<u>2025</u>	<u>2024</u>
18(a)	Income tax expense	\$	\$
			(restated)
	Net surplus per the profit and loss account	2,703,825	2,304,853
	<i>Less: Deductible expenses/non-assessable revenue</i>		
	Tax losses and timing differences not recognised	-	(2,299,853)
	Tax losses and timing differences now recognised	(6,709,680)	-
	Exempt interest income	(5,000)	(5,000)
	Taxable income/(loss)	<u>(4,010,855)</u>	<u>-</u>
	Income tax expense/(benefit) @ 30%	<u>(1,203,257)</u>	<u>-</u>
18(b)	Deferred tax asset		
	Carry forward tax on losses and temporary differences	-	-
	Add: deferred tax asset on losses	1,150,493	-
	Add: deferred tax asset on timing differences	52,764	-
	Deferred tax asset at year end	<u>1,203,257</u>	<u>-</u>
18(c)	Provision for income tax		
	Provision for income tax at beginning of year	-	20,000
	Add: Current income tax expense	-	-
	Less: Tax paid during the year	-	(20,000)
	Provision for income tax at end of year	<u>-</u>	<u>-</u>
18(d)	Income tax losses		
	The estimated income tax losses available to be carried forward at 31st December, 2025 amounted to \$3,834,976 (2024: \$6,551,238). The benefit of this loss which at the rates prevailing at balance date amounted to \$1,203,257 (2024: \$1,965,371) 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.		
	<u>Expiry Year</u>	Carry forward tax losses \$	Income Tax Benefit \$
	2026	1,597,618	479,285
	2027	1,676,295	502,889
	2028	<u>561,063</u>	<u>168,319</u>
	Total	<u>3,834,976</u>	<u>1,150,493</u>
19.	ISSUED CAPITAL	<u>2025</u>	<u>2024</u>
	SPBD Microfinance Holdings (Singapore) Pte Ltd	\$	\$
	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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20. RELATED PARTIES

Holding company

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

Other Related Entities

Other related entities include Transformative Ventures LLC and MicroDreams Foundation. Services provided by TVLCC include professional fees.

Directors

The Directors of the company are Gregory Casagrande, Sandeep Lohani, Ajay Verma (resigned 10 November 2025), Raymond McCarthy, Mark Talbot (appointed 10 November 2025) and Michelle Kelly (appointed 10 November 2025).

Directors' emoluments of \$254,211 (2024: \$183,639) were paid during the year and are included in salaries in the profit and loss account for the and benefits executive director (GM). In addition, external directors were paid fees of \$36,419 during the year.

21. 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 19 months.

<i>Right-of-use assets</i>	<u>2025</u>	<u>2024</u>
	\$	\$
The movement in the right-of use assets, as presented in the statement of financial position, is as follows:		
ROU-buildings balance as at 1 January	284,430	975,188
Renewed lease during the year	975,188	-
Amortisation for the year	<u>(487,594)</u>	<u>(690,758)</u>
ROU-buildings balance as at 31 December	<u><u>772,024</u></u>	<u><u>284,430</u></u>
<u>Lease liabilities</u>		
Current	540,000	304,765
Non-Current	<u>247,720</u>	<u>-</u>
	<u><u>787,720</u></u>	<u><u>304,765</u></u>
The movement in lease liabilities for the year is as follows:		
Lease liabilities -buildings balance as at 1 January	304,765	787,731
Renewed lease during the year	975,188	-
Add: Interest expense	47,767	57,034
Less: Lease payments	<u>(540,000)</u>	<u>(540,000)</u>
Lease liabilities -buildings balance as at 31 December	<u><u>787,720</u></u>	<u><u>304,765</u></u>

22. 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.

23. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2025 (2024: \$nil).

24. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2025(2024: \$nil).

25. GOING CONCERN

The company made a surplus during the year and has a deficiency in equity of \$20,569,151 at 31st December 2025. As a going concern, the company is dependent on the continuing support of its shareholder. The Directors believe that they have appropriate arrangements and plans in place to successfully manage the company's operational risks and have a reasonable expectation that the company will have adequate funding to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements. In the event this basis were not appropriate, it would be necessary to write fixed assets down to realisable value, reclassify long term liabilities as current and provide for closure and shut down costs.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on the date the financial statements were signed.