

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS

FOR PERIOD ENDING 31 DECEMBER 2004

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**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
BALANCE SHEET
AS AT 31 DECEMBER 2004**

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ACCUMULATED FUNDS	Notes	NZD (\$) 31-Dec-04	NZD (\$) 31-Dec-03
Net Loss from Operations:			
1999		(38,058)	(38,058)
2000		(418,831)	(418,831)
2001		(353,420)	(353,420)
2002		(205,728)	(205,728)
2003		(214,196)	(214,196)
2004		(35,435)	-
		<u>(1,265,669)</u>	<u>(1,230,233)</u>
Represented by:			
CURRENT ASSETS			
Cash on Hand and at Bank	2	185,910	98,308
Loans Receivable	3	644,930	280,463
Other Receivables	5	2,190	2,727
		<u>833,029</u>	<u>381,498</u>
CURRENT LIABILITIES			
Other Creditors and Accruals	6	19,122	14,213
Member Saving Deposits	11	20,673	-
		<u>39,795</u>	<u>14,213</u>
WORKING CAPITAL		793,234	367,285
FIXED ASSETS	7	54,613	77,559
TERM LIABILITIES/QUASI EQUITY			
Soft Loans/Quasi Equity	8	1,789,456	1,566,398
Commercial Loans	9	324,060	108,679
		<u>(1,265,669)</u>	<u>(1,230,233)</u>

The above balance sheet is to be read in conjunction with the accompanying notes to accounts.

Gregory F. Casagrande
PRESIDENT

Date

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF REVENUES AND EXPENDITURES
FOR PERIOD ENDING 31 DECEMBER 2004**

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	Notes	NZD (\$) 31-Dec-04	NZD (\$) 31-Dec-03
REVENUES			
Interest from Loans		208,826	74,508
Insurance on Loans		31,954	10,499
Loan Recoveries		13,200	42,419
Savings Fees		639	-
Operating Revenues Sub-Total		254,620	127,426
Grants	10	71,754	30,862
Interest on Bank Accounts		1,643	516
Miscellaneous Income		555	822
Non-Operating Revenues Sub-Total		73,952	32,200
Total Revenues		328,572	159,626
EXPENDITURES			
Salaries and Wages		135,543	111,959
Transportation		38,268	28,520
Repairs and Maintenance		30,473	23,866
Depreciation	7	33,724	25,882
Other Expenses		16,691	20,617
Travel		16,665	7,237
Rental Expenses		14,783	15,252
Communications		11,369	5,920
Printing and Stationeries		11,335	8,169
Bank Charges		6,666	2,392
National Provident Fund		5,905	5,346
Insurance		4,767	3,241
Professional Services		3,002	5,537
Public Relations		2,558	5,332
Collection Fees - Delinquent Loans		1,803	12,767
Office Expense		1,541	1,760
Accident Compensation Corporation		1,085	1,042
Taxes and Fees		577	724
Operating Expenditures Sub-Total		336,753	285,563
Interest Expenses		30,271	43,727
Interest on Overdraft Facilities		21,346	2,468
Foreign Exchange (Gain)/Loss		(31,909)	(355)
Total Expenditures		356,461	331,403
Loan Loss Provision		6,794	42,419
Insurance Loss Provision		751	-
Net Income/Loss		(35,435)	(214,196)
Transfer to Accumulated Funds		(35,435)	(214,196)

The above statement of revenues and expenditures is to be read in conjunction with the accompanying notes to accounts.

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF CASHFLOWS
FOR PERIOD ENDING 31 DECEMBER 2004**

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	NZD (\$)	NZD (\$)
	31-Dec-04	31-Dec-03
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Loan Principal Repayments	994,020	340,758
Loan Interest Repayments	210,652	75,115
Loan Recoveries	13,200	42,419
Loan Insurance	31,954	10,499
Receipts from Suppliers	555	822
Interest from Bank	1,643	516
Cash was applied to:		
Loans Disbursements	(1,366,032)	(482,148)
Payments to Suppliers and Employees	(303,029)	(260,900)
Others	5,035	(11,406)
Net Cashflows from Operating Activities	<u>(412,002)</u>	<u>(284,325)</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(10,777)	(54,326)
Net Cashflows from Investing Activities	<u>(10,777)</u>	<u>(54,326)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Soft Loans/Quasi Equity	374,328	305,653
Loan Repayment - Soft Loans	(207,540)	(28,203)
Commercial Loans	298,851	108,679
Grants	71,308	30,862
Interest Paid on Loans	(47,239)	(42,755)
Member Saving Deposits	20,673	-
Net Cashflows from Financing Activities	<u>510,381</u>	<u>374,236</u>
NET INCREASE/ (DECREASE) IN CASH	87,602	35,585
OPENING CASH BALANCE	98,308	62,723
CLOSING CASH BALANCE	<u>185,910</u>	<u>98,308</u>

Represented by:

Samoa-based Accounts

ANZ Bank - Chequing Account	-	(1,060)
ANZ Bank - Grameen Trust Account	220	75
ANZ Bank - Access Account	512	25,860
ANZ Bank - Term Deposit	88,372	26,943
ANZ Bank - USD Account	-	(64)
WESTPAC Bank - Term Deposit	89,639	44,376
WESTPAC Bank - Savings Account	3,047	-
Petty Cash	275	274

New Zealand-based Account

Bank of New Zealand	3,845	1,904
	<u>185,910</u>	<u>98,308</u>

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Accounting**

These accounts are prepared in accordance with the historical cost convention. Accrual accounting is used to match expenses with revenues. Generally accepted accounting principles have been applied.

(b) **Depreciation**

Depreciation is calculated so as to write off the net cost of each fixed asset during its expected useful life. The principal rates and methods used are as follows:

Office Equipment	5 years	Straight line
Computers	5 years	Straight line
Furniture and Fittings	5 years	Straight line
Leasehold Improvements	4-5 years	Straight line
Used Motor Vehicles	2-5 years	Straight line

(c) **Foreign Currency**

All amounts are expressed in New Zealand dollars. Transactions in local currency have been converted to New Zealand dollars at the monthly end exchange rates for the month in which they occurred. Liabilities in local currencies at balance date have been converted at rates ruling at that date. Exchange differences are taken to the statement of revenue and expenditures as foreign exchange gain or loss.

(d) **Income Tax**

SPBD is registered as a charitable organization under the Charitable Trust Act 1965. Charitable organizations are not liable for income tax, according to the Income Tax Act 1974.

(e) **Comparative Figures**

This is the fifth year since SPBD started its operations. The audited figures for the year ended 2003 are provided for comparison.

(f) **Grants**

SPBD records all grants and donations in the income statement in the period they are received.

2 CASH AND BANK BALANCES

	31-Dec-04	31-Dec-03
Samoa-based Accounts		
ANZ Bank - Access Account	512	25,860
ANZ Bank - Checking Account	-	(1,060)
ANZ Bank - Grameen Trust Account	220	75
ANZ Bank - Term Deposit *	88,372	26,943
ANZ Bank - USD Account	-	(64)
WESTPAC Bank - Term Deposit *	89,639	44,376
WESTPAC Bank - Savings Account	3,047	-
Petty Cash	275	274
New Zealand-based Account		
Bank of New Zealand	3,845	1,904
	<u>185,910</u>	<u>98,308</u>

* Letter of Charge given as security for Commercial Loan Facilities (see Notes 7 and 8)

3 LOANS RECEIVABLE	31-Dec-04	31-Dec-03
Total Disbursements (Accumulative Since Inception)	3,233,882	1,867,850
Less: Repayments (Accumulative Since Inception)	(2,364,438)	(1,370,418)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(220,762)	(213,288)
Gross Loans Receivable	648,682	284,144
Less: Loan Contingency Reserve	(3,001)	(3,681)
Less: Loan Insurance Reserve	(751)	-
	644,930	280,463

Gross Loans Receivable

Ending Balance as at 31 December 2003		284,144
Add/Less: 2004 Transactions	WST	NZD
2004 Disbursements	2,551,953	1,366,032
2004 Repayments	(1,855,728)	(994,020)
Write-offs - Principal	(14,631)	(7,474)
		364,538
Balance as at 31 December 2004		648,682

4 RELATED PARTY TRANSACTIONS

Borrower	Principal balance	Term	Status
President	-		
General Manager	-		
Staff	22,706	3 to 24 months	Current

5 OTHER RECEIVABLES	31-Dec-04	31-Dec-03
Prepaid Insurance	1,624	1,946
Others (Deposit/Travel Advance)	1,204	761
Interest Due	(638)	20
	2,190	2,727

6 OTHER CREDITORS AND ACCRUALS

Interest Payable	2,273	2,183
Accrued Expenses	16,849	12,030
	19,122	14,213

7 FIXED ASSETS

31-Dec-04	Cost	Accumul. Deprec.	Depreciation Charge	Net Book Value
Office Equipment	8,477	6,145	1,547	2,332
Computers	60,574	31,367	11,103	29,207
Furniture and Fittings	13,261	11,136	2,563	2,126
Leasehold Improvements	11,194	11,005	2,272	189
Motor Vehicles	134,964	114,205	16,239	20,759
	228,471	173,858	33,724	54,613

31-Dec-03	Cost	Accumul. Deprec.	Depreciation Charge	Net Book Value
Office Equipment	7,625	4,598	1,443	3,027
Computers	51,553	20,265	7,001	31,288
Furniture and Fittings	12,358	8,573	2,578	3,785
Leasehold Improvements	11,194	8,733	3,148	2,461
Motor Vehicles	134,964	97,966	11,712	36,998
	217,694	140,135	25,882	77,559

8 SOFT LOANS/QUASI EQUITY	31-Dec-04	31-Dec-03
Donald Hollander	1,532	1,622
Scott Gilmore	10,000	10,000
Grameen Trust	5,183	17,108
PlaNet Finance	-	35,600
Deutsche Bank	124,395	68,431
SPBD-USA	145,128	83,637
Gregory F. Casagrande	1,503,217	1,350,000
Total	<u>1,789,456</u>	<u>1,566,398</u>

Donald Hollander

SPBD received \$3,000 Samoan Tala loan from Donald Hollander of New Zealand. The interest rate is set at 5% p.a., and the repayment of principal and interest will take place-once-at the end of four years, but no later than December 31, 2007. Average loan balance (quarterly) during 2004 was NZD1,616.

Scott Gilmore

SPBD received two loans from Mr. Gilmore (NZD \$2,000 in 2001 and NZD \$8,000 in 2002) totaling NZD \$10,000 at 0% p.a. interest rate. There is no fixed repayment date. Average balance during 2004 was NZD10,000.

Grameen Trust

SPBD received a loan of USD \$15,000 from Grameen Trust. The loan is to be paid off within two years beginning September 2003. The interest rate is 2% p.a. on the balance outstanding at the end of December every year. Average balance (quarterly) during the year was NZD8,565.

PlaNet Finance

SPBD received a EUR \$20,000 loan in 2003 from the PlaNet Finance. The interest rate is 6% per annum. SPBD repaid back the full amount and interest in 2004, in accordance with the signed contract. Average balance (quarterly) during the year was NZD23,745.

Deutsche Bank

SPBD received a loan of USD \$90,000 from DB Microcredit Development Fund with a maturity date of November 9, 2005. The interest rate is 2% p.a. on the outstanding balance at the end of the year. The DB loan was secured in order to provide collateral to local banks (Westpac and ANZ) based on a 2:1 leverage funding structure whereby proceeds of this loan are held on deposit with ANZ and Westpac and ANZ bank secured by way of Letter of Charge securing local currency loan facilities equivalent to 2:1 (refer Note 8). This loan was extended in order to facilitate the renewal of existing credit facilities with Westpac and ANZ banks. Average balance (quarterly) during 2004 was NZD83,548.

SPBD-USA

In 2004, SPBD-USA provided SPBD in Samoa total soft loans of USD70,000 at 1% interest. This is in addition to the current outstanding balance of USD35,000 issued to SPBD-Samoa in 2001 and 2002, that are to be repaid in full in 2005 and 2006. Repayments for the new loans will commence in 2008 with the final repayment in 2010. Average balance (quarterly) during 2004 was NZD123,488.

SOFT LOANS/QUASI EQUITY (cont'd)

Gregory F. Casagrande

This is a long term, low interest loan from Gregory F. Casagrande, SPBD's Founder, Chairman and President. The loan has been used to finance the start-up and growth of SPBD. The loan balance as of 31 December 2004 is NZD \$1,503,217. On August 30th 2004, SPBD rescheduled its entire debts owed to Mr. Casagrande. Under the new Master Loan Contract Agreement, all interest rates are reduced to 0% and the loan repayment schedule has been extended to 2011.

9 COMMERCIAL LOANS

	Loan	OD	31-Dec-04	31-Dec-03
			\$	\$
WESTPAC Bank		123,573	123,573	54,340
ANZ Bank	129,744	70,743	200,487	54,339
Total	129,744	194,316	324,060	108,679

SPBD has the above facilities with Westpac and ANZ Banks. The overdraft facility with Westpac bank and the term loan with ANZ bank are partly secured by funds from Deutsche Bank which are held as term deposits of USD45,000 each at both banks. Refer Note 2.

The overdraft facilities have a limit of SAT\$150,000 and SAT\$242,000 for ANZ and Westpac banks respectively. The interest rate for overdraft facilities with both banks is 9.75%.

10 GRANTS

SPBD received a USD \$35,000 grant in 2004 from SPBD-USA to further expand our microcredit loan portfolio. SPBD also received NZD\$12,000 from various donors/partners to assist selected clients in rebuilding their homes damaged by Cyclone Heta in early 2004.

11 MEMBER SAVING DEPOSITS

SPBD developed the micro-savings program in partnership with UNDP and Westpac Bank. SPBD formally launched the micro-savings program on October 7th, 2004 following a 3-month pilot-test period and required consultations with the Central Bank of Samoa. Any SPBD member can open up a savings account with a minimum ST\$10 deposit. Account opening is compulsory for second-cycle or higher loan members, but actual deposits are voluntary. SPBD deposits collected savings daily in a segregated bank account at Westpac Bank. SPBD is not a regulated financial intermediary and does not therefore use client deposits for on-lending. Members can withdraw money with prior notice or anytime for emergencies. SPBD provides monthly saving reports to the Central Bank.

	31-Dec-04	31-Dec-03
Westpac Bank	20,673	-
Total	20,673	-

12 GENERAL

SPBD is a microfinance organization founded by Gregory F. Casagrande, which was registered on 18 January 2000. SPBD is a Grameen Bank replication and as such provides training, unsecured credit and motivation to mostly poor women for the purpose of starting or expanding small businesses. These small businesses enable SPBD's members to significantly improve the lives of their families. SPBD also provides unsecured housing improvement and childhood education loans to members with successful businesses.