

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION**

**AUDITED FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED 31 DECEMBER 2010**

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

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**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF  
SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION**

## **Scope**

We have audited the accompanying balance sheet of South Pacific Business Development Foundation (SPBD) as of 31 December 2010 and the related statements of revenue and expenditure and cash flows for the year then ended. These financial statements are the responsibility of SPBD management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and other disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The terms of reference for this audit also requires us to express a conclusion as to whether the financial statements of SPBD comply with the Disclosure Guidelines for Financial Reporting by Microfinance Institutions. These guidelines are voluntary norms recommended by a consultative group of international donors. Thus an institution's failure to comply with these guidelines would not necessarily imply that the institution or its financial statements are in violation of any legal or other accounting or reporting standard.

## **Opinion**

In our opinion, proper accounting records have been kept by South Pacific Business Development Foundation as far as appears from our examination of these records and the financial statements give a true and fair view of the financial position of South Pacific Business Development Foundation as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

We conclude that the financial statements herein with the additional disclosure footnotes comply with the disclosure guidelines for financial reporting by microfinance institutions in all material respects.



**BETHAM & CO.**

Certified Public Accountants

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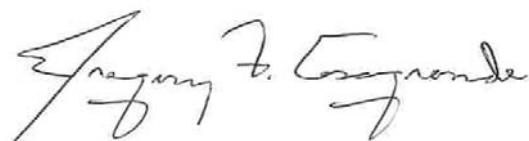
Dated: 15<sup>th</sup> March 2011

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION  
BALANCE SHEET  
AS AT 31 DECEMBER 2010**

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<b>ACCUMULATED FUNDS</b>	<b>Notes</b>	<b>WST (\$) 31-Dec-10</b> Preliminary	<b>WST (\$) 31-Dec-09</b> <i>Audited</i>
Net (Loss)/Profit from Operations:			
2000		(744,735)	(744,735)
2001		(587,919)	(587,919)
2002		(404,182)	(404,182)
2003		(510,505)	(510,505)
2004		(174,214)	(174,214)
2005		(205,323)	(205,323)
2006		(58,432)	(58,432)
2007		167,100	167,100
2008		227,151	227,151
2009		515,949	515,949
2010		795,927	
		<u><b>(979,183)</b></u>	<u><b>(1,775,110)</b></u>
Represented by:			
<b>CURRENT ASSETS</b>			
Cash on Hand and at Bank	<b>2</b>	1,756,566	1,153,583
Loans Receivable	<b>3</b>	4,131,103	3,609,804
Other Receivables	<b>5</b>	21,905	18,198
		<u>5,909,575</u>	<u>4,781,585</u>
<b>CURRENT LIABILITIES</b>			
Other Creditors and Accruals	<b>6</b>	109,250	39,052
Member Saving Deposits	<b>11</b>	566,951	708,606
		<u>676,201</u>	<u>747,657</u>
<b>WORKING CAPITAL</b>		5,233,373	4,033,927
<b>FIXED ASSETS</b>	<b>7</b>	172,018	146,395
<b>TERM LIABILITIES/QUASI EQUITY</b>			
Quasi Equity	<b>8</b>	967,702	1,765,273
Soft Loans	<b>8A</b>	1,388,179	1,533,395
Commercial Loans	<b>9</b>	4,028,694	2,656,764
		<u><b>(979,183)</b></u>	<u><b>(1,775,110)</b></u>

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



\_\_\_\_\_  
Gregory F. Casagrande  
**PRESIDENT**

15 March 2011

\_\_\_\_\_  
Date

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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	Notes	WST (\$) 31-Dec-10 Preliminary	WST (\$) 31-Dec-09 Audited
<b><u>FINANCIAL INCOME</u></b>			
Interest from Loans		1,797,232	1,579,854
Insurance on Loans		189,618	170,186
Death Benefit Insurance		14,246	-
Savings Fees		29,429	8,958
Interest on Bank Accounts and Term Deposits		18,560	11,482
Miscellaneous income		1,540	1,432
<b>Financial Income Sub-Total</b>		<b>2,050,625</b>	<b>1,771,912</b>
<b><u>FINANCIAL EXPENDITURES</u></b>			
Interest Expenses		260,539	154,672
Interest on Overdraft Facilities		140,700	106,162
Guaranteed Fees		16,999	-
<b>Financial Expenditures Sub-Total</b>		<b>418,238</b>	<b>260,835</b>
<b>NET FINANCIAL INCOME</b>		<b>1,632,387</b>	<b>1,511,078</b>
<b>LOAN LOSS PROVISION</b>			
Loan loss provision		58,690	66,070
Insurance loss provision		26,229	11,605
Death Benefit Insurance Provision		10,000	-
<b>Loan Loss Provision Sub-Total</b>		<b>94,919</b>	<b>77,675</b>
<b>NET FINANCIAL MARGIN</b>		<b>1,537,468</b>	<b>1,433,403</b>
<b>OPERATING EXPENSES</b>			
Accident Compensation Board		3,348	3,028
Bank Charges		27,367	16,671
Collection Fees - Delinquent Loans		9,786	15,664
Communications		73,790	51,921
Depreciation	7	53,845	60,447
Insurance		6,951	5,664
National Provident Fund		16,072	15,146
Office Expense		24,340	14,862
Other Expenses		27,839	13,390
Printing and Stationeries		43,680	38,538
Professional Services		107,166	105,823
Public Relations		2,213	4,509
Rental Expenses		87,077	79,431
Repairs and Maintenance		21,358	32,129
Salaries and Wages		583,568	493,154
Taxes and Fees		520	500
Training		7,583	7,507
Transportation		83,797	65,041
Travel		41,996	56,992
<b>Operating Expenditures Sub-Total</b>		<b>1,222,295</b>	<b>1,080,416</b>
<b>NET OPERATING INCOME</b>		<b>315,173</b>	<b>352,986</b>

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 DECEMBER 2010**

<b>NON OPERATING REVENUE</b>			-
Grants	<b>10a</b>	103,881	280,022
<i>TA Grant EC 2009/228-375 - SPM</i>	<b>10b</b>	109,890	
<i>UNDP Cash For Work Grant</i>	<b>10e</b>	28,850	
<i>The BodyShop Australia/Wise Foundation</i>	<b>10e</b>	76,749	
<i>IFC</i>	<b>10e</b>	112,870	
Foreign Exchange (Gain)/Loss		142,078	67,734
Donations - Annual Womens Award		20,800	
<b>Non-Operating Revenues Sub-Total</b>		<b>595,118</b>	<b>347,756</b>
<b>NON OPERATING EXPENSES</b>			
Annual Events - Womens Award		78,832	-
<i>TA Grant EC 2009/228-375 - SPM</i>		18,255	-
<i>The Body Shop Australia/Wise Foundation</i>		7,000	
Foreign Exchange Loss		-	-
Tsunami Relief Effort/ UNDP Cash For Work		10,278	184,793
<b>Non-Operating Expenditures Sub-Total</b>		<b>114,365</b>	<b>184,793</b>
<b>NET NON OPERATING INCOME</b>		<b>480,753</b>	<b>162,962</b>
<b>NET PROFIT</b>		<b>795,927</b>	<b>515,949</b>

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

**Analytics**

Net Operating Income as a % of Assets	<b>5.2%</b>	<b>7.2%</b>
Net Profit as % of Assets	<b>13.1%</b>	<b>10.5%</b>

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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	<b>WST (\$)</b> <b>YTD 2010</b> <b>Preliminary</b>	<b>WST (\$)</b> <b>31-Dec-09</b> <b>Audited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Loan Principal Repayments	6,889,296	5,721,720
Loan Interest Repayments	1,795,702	1,579,854
Loan Insurance	189,620	170,186
Death Benefit Insurance	44,865	-
Miscellaneous income	1,636	1,432
Interest from Bank	18,560	11,482
Savings fees	29,429	8,958
<b>Cash was applied to:</b>		
Loans Disbursements	(7,494,088)	(6,786,611)
Payments to Suppliers and Employees	(1,172,609)	(1,208,962)
Other Receivable	(49)	3,084
<b>Net Cash flows used by Operating Activities</b>	<b>302,361</b>	<b>(498,857)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(78,062)	(2,197)
<b>Net Cash flows from Investing Activities</b>	<b>(78,062)</b>	<b>(2,197)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Soft Loans/Quasi Equity	1,221,368	3,695,912
Loan Repayment - Soft Loans	(1,822,512)	(3,403,555)
Commercial Loans/Overdraft Facility	377,664	200,000
Grants	432,240	280,022
Interest Paid on Loans	(395,962)	(102,731)
Member Savings Deposit	565,884	243,355
<b>Net Cash flows from Financing Activities</b>	<b>378,682</b>	<b>(1,869,907)</b>
NET INCREASE/ (DECREASE) IN CASH	602,982	411,949
OPENING CASH BALANCE	1,153,583	741,633
<b>CLOSING CASH BALANCE</b>	<b>1,756,566</b>	<b>1,153,583</b>
<b>Represented by:</b>		
<b>Samoa-based Accounts</b>		
ANZ Bank - Euro Account	857	169,664
ANZ Bank - Term Deposit (EURO \$)	149,638	119,727
ANZ Bank - Term Deposit	113,447	56,392
ANZ Bank - Term Deposit (ST)	120,278	
SCB Bank - Term Deposit (USD)	90,909	
SCB Bank - USD Working Account	1,136	
Westpac Bank Term Deposit (USD)	-	234,254
Westpac Bank Term Deposit - Savings Account	265,823	286,472
Westpac Bank - USD Operating Account	183,866	25,707
Westpac Bank - Savings Account	193,381	30,949
Westpac Bank - EURO Foreign Account	52,983	102
Westpac Bank - Term Deposit SAT	500,000	-
Westpac Bank - Term Deposit SAT	82,040	80,000
Petty Cash	707	707
Savaii Imprest	1,500	1,500
	<b>1,756,566</b>	<b>1,153,582</b>

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Accounting**

These accounts are prepared in accordance with the historical cost convention. 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
New/Used Motor Vehicles	2-5 years	Straight line

**(c) Foreign currency**

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

Exchange rates used:	12/31/2010	30/09/2010	30/09/2009	12/31/2009
NZD/WST	0.5403	0.5485	0.5404	0.5411
USD/WST	0.4195	0.4035	0.3895	0.3925
EUR/WST	0.3085	0.2895	0.2598	0.2677

**(d) Income and grants**

SPBD generates income from several main sources and are recognised on the following basis:

**(i) Interest income from loans receivable and term deposits**

As at January 2008, management has now recorded interest income from loans and term deposits on cash basis.

**(ii) Loan Insurance Income**

SPBD charges and with-holds a 2% insurance on the principal amount + interest on the loans issued to the customers as security in case the customer dies before full payment of their loans. (this only applies to group loans). This insurance is treated as an income for SPBD as it is not refundable to the customer upon payment of the loan and is recognised in the period in which they are received.

**(iii) Loan recoveries**

Loan recoveries are cases of default loans which have been handed over to SPBD's solicitor for collection of repayments and are recognised in the period they are received.

**(iv) Savings fees**

A \$2 fee is charged by SPBD to its members when they withdraw from their savings account and are recognised in the period in which they are received.

**(vi) Grants**

Grants are from overseas donors for financing cash for work projects and performance management system and are recognised in the period in which they are received.

**(vii) Death Benefit Insurance (DBI)**

SPBD new product started to roll out in May 2010 - Death Benefit Insurance Service (DBI). DBI provides a coverage of WST1,000 to WST5,000 for a premium fee of WST10 to WST70. SPBD clients with loans disbursed starting 01 May 2010 are covered by DBI. It is envisioned that all SPBD clients will be covered by DBI by April 2011.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Expenses

SPBD's expenses are recorded on an accrual basis.

(f) 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.

(g) Comparative figures

This is the eleventh year since SPBD started its operations. The audited figures for the year then ended 31 December 2009 has been provided herewith for comparison.

2 CASH AND BANK BALANCES

	31-Dec-10	31-Dec-09
<b>CASH BALANCES</b>		
Petty Cash	707	707
Savaii Imprest	1,500	1,500
<b>Sub-Total</b>	<b>2,207</b>	<b>2,207</b>
<b>FREED BANK BALANCES</b>		
ANZ Bank - Checking Account	-	-
ANZ Bank - Euro Account	857	148,109
Westpac Bank - USD Account	183,866	25,707
Westpac Bank - EURO Foreign Account	52,983	102
Westpac Bank - USD Term Deposit	-	234,254
Westpac Bank - SAT	82,040	80,000
SCB Bank - USD Account	1,136	-
<b>Sub-Total</b>	<b>320,882</b>	<b>488,172</b>
<b>RESTRICTED - MEMBERS SAVINGS WITHDRAWALS ONLY</b>		
<b>Westpac Bank - ST Savings Term Deposits #</b>	<b>265,823</b>	<b>286,472</b>
<b>Westpac Bank - Savings Account #</b>	<b>193,381</b>	<b>30,949</b>
<b>Sub-Total</b>	<b>459,204</b>	<b>317,420</b>
<b>RESTRICTED ACCOUNTS (SECURITIES FOR OD FACILITIES)</b>		
ANZ Bank - Euro Term Deposit (CreSud Collateral/ANZ OD Facility)	149,638	169,664
ANZ Bank - USD Term Deposit (ANZ OD Facility)	113,447	119,727
ANZ Bank - ST Term Deposit * (ANZ OD facility)	120,278	56,392
Westpac Bank - TD SAT (Wespac OD facility)	500,000	-
SCB Bank - USD (DBMF Collateral)	90,909	-
<b>Sub-Total</b>	<b>974,273</b>	<b>345,783</b>
<b>GRAND TOTAL</b>	<b><u>1,756,566</u></b>	<b><u>1,153,583</u></b>

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

**Savings Adjustments (Debit Memo)**

# Savings adjustments have been actioned in the second quarter to account all the savings withdrawals made through debit memos, including transactions done in 2008 to 2009, hence a huge reduction in savings balance noted in the second quarter of 2010.

**Summary**

Debit Memo 2008 - 2009	154,868
Debit Memo January to 30 June 2010	101,244
Debit Memo July - 30 Sept 2010	63,548
Debit Memo October - 31 December 2010	64,388
<b>Total saving withdrawals through debit memos</b>	<b>384,047</b>

3 LOANS RECEIVABLE

	31-Dec-10	31-Dec-09
	\$	\$
Total Disbursements (Accumulative Since Inception)	37,252,294	29,715,441
Less: Repayments (Accumulative Since Inception)	(32,454,408)	(25,523,773)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(650,518)	(548,693)
<b>Gross Loans Receivable</b>	<b>4,147,368</b>	<b>3,642,974</b>
Less: Loan Contingency Reserve	(16,265)	(33,171)
	<b><u>4,131,103</u></b>	<b><u>3,609,804</u></b>
<b>Gross Loans Receivable</b>		
Beginning balance	3,642,974	2,620,150
<b>Add/Less: 2010 Transactions</b>		
2010 Disbursements	7,536,853	6,786,611
2010 Repayments	(6,930,634)	(5,701,720)
Write-offs - Principal	(101,825)	(62,067)
<b>Total</b>	<b>504,394</b>	<b>1,022,824</b>
<b>Balance as at 31 December 2010</b>	<b><u>4,147,368</u></b>	<b><u>3,642,974</u></b>

4 RELATED PARTY TRANSACTIONS

Borrower	Balance	Term	Status
Staff	101,295	3 to 24 months	Current

The above balance of \$101,295 for Related Party Transactions is included in the balance of \$4,129,678 for Loans Receivable in note 3 above. The amount \$101,295 includes staff loan and calamity loan given to staff separately as an emergency loan to assist their family due to tsunami in September 2009.

<b>5 OTHER RECEIVABLES</b>	<b>31-Dec-10</b>	<b>31-Dec-09</b>
	\$	\$
Prepaid insurance	3,092	2,238
Others (Deposit/Travel advance)	11,641	4,031
Interest due	11,642	11,642
Employee Receivable	51,878	51,636
Less: Savings Provisioning	(51,348)	(51,348)
DBI Reserve	(10,000)	-
Less: Payment made in 2010 re: claims	5,000	-
	<u><b>21,905</b></u>	<u><b>18,199</b></u>

<b>6 OTHER CREDITORS AND ACCRUALS</b>	<b>31-Dec-10</b>	<b>31-Dec-09</b>
Interest payable	59,995	25,707
Accrued expenses & Other Payables	18,636	13,345
Unearned Insurance (DBI)	30,619	-
	<u><b>109,250</b></u>	<u><b>39,052</b></u>

**UNEARNED INSURANCE (DBI)**

Unearned Insurance refers to a portion of client's insurance premium that relates to a future period. Only earned insurance shall be recognised in the Income Statement, and unearned insurance to record as liability

	<b>31-Dec-10</b>	<b>31-Dec-09</b>
	\$	\$
Total insurance income	44,865	-
Less: Earned insurance premium	14,246	-
<b>Total</b>	<u><b>30,619</b></u>	<u><b>-</b></u>

**7 FIXED ASSETS**

<b>31-Dec-10</b>	<b>Cost</b>	<b>Accum. Deprecn</b>	<b>Deprecn Charge</b>	<b>Net Book Value</b>
	\$	\$	\$	\$
Office Equipment	37,139	32,357	4,376	4,782
Computers	210,562	152,230	16,825	58,332
Furniture and Fittings	33,951	28,588	2,574	5,363
Leasehold Improvements	16,249	16,249	-	-
Motor Vehicles	607,650	504,109	30,070	103,541
	<u><b>905,550</b></u>	<u><b>733,533</b></u>	<u><b>53,845</b></u>	<u><b>172,018</b></u>

<b>31-Dec-09</b>	<b>Cost</b>	<b>Accum. Deprecn</b>	<b>Deprecn Charge</b>	<b>Net Book Value</b>
	\$	\$	\$	\$
Office Equipment	35,943	27,981	5,697	7,962
Computers	178,700	135,405	16,262	43,295
Furniture and Fittings	32,541	26,013	2,447	6,527
Leasehold Improvements	16,249	16,249	-	-
Motor Vehicles	562,650	474,039	36,041	88,611
	<u><b>826,082</b></u>	<u><b>679,688</b></u>	<u><b>60,447</b></u>	<u><b>146,395</b></u>

<b>8 QUASI EQUITY (0-1% interest debt)</b>	<b>31-Dec-10</b>	<b>31-Dec-09</b>
	\$	\$
Gregory F. Casagrande	667,702	1,312,408
SPBD-USA -MicroDreams	300,000	452,865
	<u><b>967,702</b></u>	<u><b>1,765,273</b></u>

**Gregory F. Casagrande**

This is a long term, 0% 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 2009 is NZD \$655,000 (WST \$1,210,497) and USD \$40,000 (WST \$101,911) respectively.

The loan with Mr. Casagrande is governed by a Master Loan Agreement, the major provision of which includes 0% interest rate, and a quarterly repayment schedule going through to 31 December 2011. The total loan repayment made in 2010 was NZD \$320,000 and USD \$20,000, thus reducing loan balances as of December 31, 2010 to NZD \$335,000 and



**8 QUASI EQUITY (0-7% interest debt) cont'd**

**Micro Dreams (used to be known as SPBD USA)**

There were two additional loans acquired from Micro Dreams in 2009 to assist SPBD in financing its activities. SPBD received WST\$300,000 and USD \$80,772.63 in 2009, and repaid back USD \$75,773, which has then reduced a balance of outstanding loan as of 31 December 2009 to USD \$60,000 and SAT \$300,000.00 respectively. SPBD has then made final payments against US denominated loans in 2010.

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
MD1 05	USD	1.00%	30-Dec-10	20,000	-	20,000	-	-
MD2 09	WST	6.00%	30-Dec-14	300,000	-	-	300,000	300,000
MD3 09	USD	7.00%	30-Dec-10	40,000	-	40,000	-	-
Total				360,000		60,000		300,000

**8A SOFT LOANS (> 1% interest debt)**

	31-Dec-10	31-Dec-09
	\$	\$
Rabobank	-	(14,008)
Jasmine Charitable Trust (Sam Morgan)	850,000	850,000
Kiva Micro funds	528,644	678,726
Robert Kennedy School	-	18,678
David Adams	9,535	-
	<u>1,388,179</u>	<u>1,533,395</u>

**Rabobank Foundation**

SPBD received a EURO \$50,000 loan from Rabobank Foundation in March 2005 with an interest rate of 5% per annum. SPBD has made two principal repayments in 2009 amount EURO \$16,250, and the last payment made in December 2009 was overstated by EURO \$3,250, The overpayment was reimbursed to SPBD on the second quarter 2010.

	Currency	% rate p.a	Maturity date	Beginning Balance	Reimbursement	Repayments	Ending Balance	Amount in WST (\$)
Loan	EURO	5%	31-Dec-09	(3,750)	3,750.00	-	-	-

**Jasmine Charitable Trust (Sam Morgan)**

The Jasmine Charitable Trust have entered into two previous loan agreements dated March 6, 2007 and May 14, 2009 respectively SPBD received 2 tranches in 2009 with total amount of WST \$350,000, and a new loan agreement was issued to consolidate all loan agreements between SPBD and Jasmine. Previous loan terms and conditions have been modified and incorporated in the new loan contract. All loans from Charitable Trust have been consolidated as one with the new Funding Agreement, and the total principal loan amount is SAT \$850,000 with the interest of 5% per annum. The commencing date of repayment will be April 1,2010 and to be ended on January 1, 2013.

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
Consolidated	WST	5.00%	1-Jan-13	850,000	-	-	850,000	850,000
Total					-		850,000	850,000

**Kiva Micro Funds**

Kiva MicroFunds is a non-profit organisation 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 field partners of Kiva thereby entitling it to be included in the fund raising activities of Kiva Microfunds. The Kiva Micro funds was able to raise USD \$2,208,475 in pooled loans on behalf of SPBD. This pooled loan is payable in 12 monthly amortization starting 31 January 2007. SPBD has repaid back USD \$1,942,075.17 thus reducing an outstanding balance by December 31, 2009 to USD \$266,399.83 (WST \$678,726). The net amount received in the first nine months 2010 was USD\$44,634, which then increased an outstanding amount to USD \$221,766 (equiv ST \$549,606) by the end of December 2010

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
KIVA	USD	0%	on-going	266,400	-	44,634	221,766	528,644

**Robert Kennedy School**

SPBD received a loan amount to EURO \$5,000 from Robert Kennedy School in June 2009, to finance micro-loans to SPBD women for setting up new businesses. The loan was fully paid (principal and interest) on June 30, 2010

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
RKS	EURO	2.00%	30-Jun-10	5,000	-	5,000	-	-

**David Adams**

SPBD received USD \$4,000 from David Adams in the 4th quarter 2010, to assist in financing micro-loans for SPBD existing and new clients.

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
David Adams	USD	0.00%	31-Dec-15	-	4,000.00	-	4,000	9,535

8A SOFT LOANS (cont'd)

9 COMMERCIAL LOANS / OVERDRAFT

	Loan \$	OD \$	31-Dec-10 \$	31-Dec-09 \$
OikoCredit	882,412		882,411.67	249,040
CRESUD SPA	842,788		842,787.68	1,172,021
Planis	324,149	-	324,149.11	-
DBMF	95,352		95,351.61	
Westpac Bank	-	1,003,345	1,003,345.41	620,094
ANZ Bank		696,718	696,718.48	615,609
SCB		183,930	183,929.86	-
<b>Total</b>	<b>2,144,700</b>	<b>1,883,994</b>	<b>4,028,694</b>	<b>2,656,764</b>

**Oikocredit**

Outstanding loan balance as of 31 December 2009 was EURO \$66,668 (WST \$249,040). SPBD received an additional loan amount EURO \$250,000 FROM Oikocredit on February 2010, and repaid back EURO\$44,444 in 2010, thus reducing balance to EURO \$272,224 by end of December 2010

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
2nd Loan	EURO	10.00%	31-May-11	66,668	-	44,444.00	22,224	72,039
3rd Loan	EURO	9.25%	4-Feb-14	-	250,000	-	250,000	810,373
Total					250,000	44,444	272,224	882,412

**Cresud**

SPBD received a new loan in July 2009 in the amount of EURO \$250,000, and an additional loan in november 2009 in the amount of EURO 60,000 (equivalent to WST 224,131) to assist in the SPBD Recovery Plan for clients affected by Tsunami. SPBD made a principal payment of EURO 3,750 during the first quarter of 2010

The total outstanding amount as of 31 December 2010 is EURO 260,000 (equivalent to WST 842,788).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
3rd Loan	EURO	9.00%	30-Sep-12		250,000	50,000.00	200,000	648,298
4th Loan	EURO	9.00%	31-Mar-13		60,000	-	60,000	194,489
Total				3,750	310,000	53,750	260,000	842,788

**PlaNIS**

SPBD received EURO \$100,000 from PlaNIS in 31 May 2010 to assist in financing micro-loans for SPBD existing and new clients

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
PlaNIS	EURO	8.00%	31-May-11	-	100,000.00	-	100,000	324,149

**DBMF**

SPBD received a loan of USD \$40,000 from DBMF in 31 August 2010 to assist in financing micro-loans for SPBD existing and new clients

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
DBMF	USD	5.00%	24-Aug-13	-	40,000.00	-	40,000	95,352

**Westpac Bank**

The overdraft facilities with Westpac Bank are secured by a Samoan Tala term deposit using the proceeds from the OikoCredit loan of Euro 250,000 and a standby letter of credit from HSBC Private Bank (UK) Ltd of GBP 10,000.

The O/D Facility was increased from SAT 610,000 to SAT 1,046,000 in May 2010

31-Dec-10 Facility	% rate p.a	Credit limit ST	Credit limit Utilised	Available Balance WST	Form of Security	Amount of Security
Overdraft facility Acct. No 200052213	9.75%	1,000,000	958,673	41,327	TD WST	WST 500,000
Overdraft facility Acct. No 2000119731	9.75%	46,000	44,672	1,328	HSBC SBLC	GBP 10,000
		<b>1,046,000</b>	<b>1,003,345</b>	<b>42,655</b>		

**ANZ Bank**

The overdraft facility with ANZ are secured by a combination of USD, Euro and Samoan Tala Term Deposit. The bank has approved an increase in overdraft facility to ST \$800,000 in 2009.

31-Dec-10 Facility	% rate p.a	Credit limit ST	Credit limit Utilised	Available Balance WST	Form of Security	Amount of Security
Overdraft facility account 1	10.50%	410,000	306,718	103,282	SPBD TD	WST \$55,000
Overdraft facility account 2	10.50%	390,000	390,000	-	SPBD TD	USD 49,000
					SPBD TD	EURO 50,000
		<b>800,000</b>	<b>696,718</b>	<b>103,282</b>		

**Samoa Commercial Bank**

On 18 May 2010, SCB opened a new OD facility in the amount of WST100,000 for SPBD. The facility was secured by a letter of guarantee from MicroDreams USA. The OD facility was increased from WST 100,000 to WST 200,000 on September 2010. The increase was approved by replacing the MD letter of guarantee with the DBMF loan proceeds equivalent to USD40,000

31-Dec-10 Facility	% rate p.a	Credit limit ST	Credit limit Utilised	Available Balance WST	Form of Security	Amount of Security
Overdraft facility account - 1	10.50%	100,000	100,000	-	TD DBMF	USD 40,000
Overdraft facility account - 2	10.50%	100,000	83,930	16,070		
		<b>200,000</b>	<b>183,930</b>	<b>16,070</b>		

The "interest only" loan types mean that only the interest at the end of each month are due for payment. The loan facilities are reviewed and renewed annually.

**10 GRANTS**

- a SPBD received grants from Northern Trust and other organizations to assist in the post-tsunami response and recovery intervention. As of September 2010 SPBD received a total of USD 39,340 (WST103,880) for this intervention
- b The European Commission (EC) approved a technical Assistance Grant to SPBD for the Social Performance Management System Build-up and Staff Capacity Training with a total grant of EURO80,000. The 1st installment of the grant was received during the 1st quarter 2010 amounting to EURO 32,000(WST109,890)
- c On July 5, 2010, UNDP awarded a grant with a total amount of WST 50,219.52 to implement a cash for work activities as part of the UNDP Early Recovery project in the tsunami affected area. The first installment of the grant was received during the 3rd quarter of 2010 amounting to ST \$15,065.86  
SPBD received a second tranche amount \$10,043.90 in the 4th quarter plus reimbursement for purchasing materials and tools for cash for work project at Manono Tai island.
- d The Body Shop of Australia and Wise Foundation awarded a grant to SPBD with the amount equivalent to AUD \$33,500 of which AUD30,000 will support the microfinance program and the additional AUD 3,500 for purchase of starter kit/bookkeeping materials for SPBD centers. The center starter packs were distributed during the Annual Businesswoman Awards on 10 Dec. 2010.  
The Memorandum of Understanding between Wise Foundation and SPBD was officially signed on 14 September 2010
- e IFC Grant  
SPBD received USD\$46,998,96 on December 30,2010 to finance 2011 planned expansion and growth

	Currency	Amount	Amount in WST
Northern Trust/Faroe island	USD	37,890	97,203
TA Grant EC 2009/228-375 - SPM	EURO	32,000	109,890
Others	USD	1,225	3,808
Business Enterprises - NZD	WST	2,937	2,937
UNDP - CFW	WST	28,783	28,783
The Body Shop of Australia/Wise	AUD	33,500	76,749
IFC	USD	46,999	112,870
<b>Total Grants as per P &amp; L</b>			<b><u>432,240</u></b>

**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 new member can open up a savings account with a minimum of ST \$10 deposit. SPBD also started its Savings policy in 2007 whereby 5% loan retention goes into a members Savings Account. SPBD is not a regulated financial intermediary and does not therefore use client deposits for on-lending. Members can the withdraw money with prior notice or anytime for emergencies. SPBD provides monthly saving reports to Central Bank of Samoa. The 5% loan retention can only be withdrawn by a member after the latest loan is fully paid off. SPBD deposits collected savings daily in a segregated bank account at Westpac Bank.

	31-Dec-10	31-Dec-09
	\$	\$
WESTPAC	406,019	318,920
ANZ	160,932	389,685
<b>Total</b>	<b><u>566,951</u></b>	<b><u>708,606</u></b>

**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. SPBD also provides savings and insurance products to its members.

**A. Loan Loss Provisioning**

SPBD conducts loan loss provisioning every quarter to maintain an adequate reserve for doubtful loans. The reserve is determined by applying predicted loss percentages to aged loans grouped by lateness of payment. A loan becomes late as a weekly scheduled payment is missed. SPBD applies the following conservative predicted loss ratios.

**Provisioning Ratios for Group Loans**

	Loan loss provision	Loan Outstanding	Loan Loss Prov. Amt.
1 week to 4 weeks late	5%	98,853	4,943
5 weeks to 8 weeks late	10%	26,401	2,640
9 weeks to 12 weeks late	25%	5,439	1,360
13 weeks to 16 weeks late	50%	4,597	2,298
17 weeks to 20 weeks late	75%	3,017	2,263
21 weeks or more	100%	2,761	2,761
<b>TOTAL PROVISIONING AS OF 31 DECEMBER 2010</b>			<b>16,265</b>

SPBD Provides a 100% provision for loan losses for loans overdue for 21 weeks or more

**B. 2010 Write-Offs**

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	16	26,229	0.63%
Death Benefit Insurance Losses	0	-	0.00%
Loans Written Off - 2010	228	75,596	1.82%
<b>Total</b>	<b>244</b>	<b>101,825</b>	<b>2.46%</b>

Sixteen SPBD members died in 2010, and was written off accordingly as per Loan Insurance Loss and DBI Policy

The decision as to which loans to write off in 2010 was made taking into account the age of the outstanding loan, the balance of the outstanding loan compared to the cost effectiveness of legal recovery and management's own evaluation of the likelihood of recovery. Loans write-off requires an approval by the President of the BOT

**C. Movement in Loan Loss Insurance Loss**

Loan loss reserve is increased by annual loan loss provisioning expense and decreased by loan write-offs.

WST	12/31/2010	12/31/2009
Loan Loss Reserve - January 1, 2010	33,170	17,562
Plus: Additional reserve in 2010	84,920	77,675
Loan Loss Expense for the Year (refer to R & E)	26,229	11,605
Loans written off in 2010 (refer to B above)	75,596	50,462
Loan Loss Reserve - December 31, 2010 (refer to Note 3)	16,265	33,170

**Movement in Insurance Loan Loss Reserves**

	12/31/2010	12/31/2009
Loan Loss Reserve - January 1, 2010	-	-
Loan Loss Expense for the Year (refer to R & E)	26,229	11,605
Loans written off in 2010 (refer to B above) - 2010	26,229	11,605
Insurance Loan Loss Reserve - 2010	-	-

**Movement in Insurance Death Benefit Reserve**

	12/31/2010	12/31/2010
Loan Loss Reserve - January 1, 2010	-	-
DBI Additional Reserve for the Year (refer to R & E)	5,000	-
Payment made in (refer to B above) - 2010	5,000	-
DBI Reserve - 2010	-	-

DBI Reserve is increased by quarterly provisioning expense and decreased by actual payment made to beneficiaries declared by SPBD dead members

**D. Portfolio Composition**

SPBD adopts the Grameen Bank's group solidarity lending methodology. SPBD's loan portfolio consists of two types: client loans and staff loans. Group Loans are made under the provisions of SPBD Credit Manual. Staff loans are made under the provisions of the Employee Loan Program as outlined under SPBD Human Resources Policy Manual.

SPBD offers two group loan products: (1) 52-week loan product and (2) 17 weeks loan product. Maximum first loan sizes are ST1,000 and ST\$300, respectively. Both loans are amortized in weekly equal instalments. Both loan types are unsecured. The first loan (regardless of loan product) should be used exclusively to expand or establish a microenterprise to be managed by the client herself. Subsequent loans can be used for any or a combination of the following purposes: business, home improvement and education of children. Loans are disbursed at the SPBD office while loan repayments are collected at the village-based weekly meetings by SPBD staff. A loan must be paid off before another loan is issued to the same client.

**Loans Disbursed during 2010**

<b>Loan Type</b>	<b># of Loans New</b>	<b>Principal Amount</b>	<b>Amount as % of Total Portfolio</b>
Group loans (New)	1,998	1,998,000	27%
Group loans (Existing)	3,037	5,467,265	73%
Staff loans	42	71,588	1%
<b>Total</b>	<b>5,077</b>	<b>7,536,853</b>	<b>100%</b>
<i>Ave loan Size at disbursement</i>		<u>\$ 1,485</u>	

**Loans Disbursed during 2009**

<b>Loan Type</b>	<b># of Loans</b>	<b>Principal Amount</b>	<b>Amount as % of Total Portfolio</b>
Group loans	4,916	6,701,810	99%
Staff loans	60	84,801	1%
<b>Total</b>	<b>4,976</b>	<b>6,786,611</b>	<b>100%</b>
<i>Ave loan Size at disbursement</i>		<u>\$ 1,364</u>	

SPBD clients must use the first loans for starting or expanding micro-businesses. If these micro-businesses are doing well, they can then apply for housing improvement and educational loans for their subsequent borrowings. Housing improvement loans are typically used to buy concrete, timber, roofing, plumbing or electrical supplies to significantly upgrade their homes. Educational loans are typically used to pay for school fees, school uniforms and text books.

**E. Portfolio Quality**

SPBD loans is staff's number one priority to keep the loan portfolio healthy. They strictly apply the credit rules and policies outlined in SPBD Credit Manual. As SPBD offers only unsecured loans, we rely on good client and project selection as a primary tool to ensure portfolio quality. When a client does not have a payment, we apply the group guarantee policy and ask her group members to make a payment for that client. The principle of group guarantee is clearly communicated and explained in program training, knowledge test, loan application and loan interview; and is regularly reinforced through weekly meetings and periodic trainings.

E. Portfolio Quality (cont'd)

Loan Types	# of Accounts	31-Dec-10			31-Dec-09		
		Outstanding Principal Balance	PAR > 30 Amount WST\$	PAR > 30 Days (%)	Outstanding Principal Balance	PAR Amount WST\$	PAR > 30 Days (%)
<b>Group Loans</b>							
Current	4,924	3,902,233			3,291,086		
1-4 weeks late	210	98,853			106,455		
5-8 weeks late	42	26,401	26,401	0.65%	9,885	9,885	0.28%
9-12 weeks late	7	5,439	5,439	0.13%	4,457	4,457	0.13%
13-16 weeks late	5	4,597	4,597	0.11%	1,897	1,897	0.05%
17-20 weeks late	9	3,017	3,017	0.07%	606	606	0.02%
over 21 weeks late	5	2,761	2,761	0.07%	24,343	24,343	0.69%
Sub-total	<b>5,202</b>	<b>4,043,300</b>	<b>42,214</b>	<b>1.04%</b>	<b>3,438,729</b>	<b>41,188</b>	<b>1.16%</b>
<b>Restructured Loan (Calamity)</b>	<b>4</b>	<b>2,771</b>	<b>-</b>	<b>0.00%</b>	<b>99,507</b>		<b>0.00%</b>
<b>Staff Loans</b>							
Current	50	84,824			96,663		
over 4 weeks in arrears	31	<b>16,471</b>	<b>16,471</b>	<b>16.26%</b>	<b>8,075</b>	<b>8,075</b>	<b>7.71%</b>
<b>Grand Total</b>	<b>5,279</b>	<b>4,147,368</b>	<b>58,685</b>	<b>1.42%</b>	<b>3,642,976</b>	<b>49,265</b>	<b>1.35%</b>

SPBD defines portfolio at risk (PAR) as:

Outstanding principal amount of all loans that have one or more instalments of principal past due by 30 days  
 Gross Loan Portfolio

A loan is considered in arrears when a due weekly payment is missed and that group guarantee does not work. SPBD does not have any late or penalty fees. SPBD staff then follows the procedures outlined in the SPBD Credit Manual to get clients in arrears back on track as soon as possible. Parallel to these efforts SPBD provisions to ensure that adequate reserves are maintained for potential loss as outlined under SPBD Loan Loss Provisioning and write-off policies outlined in note A above.

Staff loans in arrears as at 31 December 2010 represent unpaid loans of ex-employees who have not paid back their loans as per legal agreement. The majority of these files have been referred to our lawyer for collections through legal action.

**Note:**

Ex-employee loans(Lawyers)	10,146.50
Ex-employee loans for legal endo:	3,553.18
Calamity Loan	2,771.22
<b>TOTAL</b>	<b>16,470.90</b>

**Restructured Loan**

All loan restructuring were client/group/center decision. The loan restructuring was implemented on September 29, 2009 to assist clients/groups/centers affected by the September 2009 tsunami that hit Samoa. Clients/ groups/ and centers were made to choose to self-assess their capacity to pay their loan. SPBD offered a restructuring of existing loan for another 52 weeks without charging further interest to the clients. All restructured loans has been endorsed and approved by client's respective centers. The restructuring package aims to rebuild and recover the businesses, livelihoods and economic activities pre-existing in the community and villages before the disaster. As of 31/12/2010 only 4 restructured loan remained outstanding out of the original 123 restructured loans.

F. Loan Accounts Outstanding

The number of outstanding loan accounts as at the end of the financial year were as follows:

	<b>31-Dec-10</b>	<b>31-Dec-09</b>
Number of outstanding loan accounts	5,279	4,795

G. Savings Accounts

The number of voluntary savings accounts at the end of the financial year were as follows:

	<b>31-Dec-10</b>	<b>31-Dec-09</b>
Number of saving accounts	11,034	7,795

H Interest Accrual on Late Loans

Interest on unpaid loans is accrued up until the time a write off decision is taken. Interest is then written back