

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2003

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FINANCIAL STATEMENTS

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

Scope

We have audited the accompanying balance sheet of South Pacific Business Development as of 31 December 2003 and the related statements of income and expenditure and cash flows for the year then ended. These financial statements are the responsibility of the enterprise's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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.

Opinion

In our opinion, proper accounting records have been kept by South Pacific Business Development 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 as of December 31, 2003 and of the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



BETHAM & CO.

Certified Public Accountants

Apia

Dated: 24 March 2004

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
BALANCE SHEET
AS AT 31 DECEMBER 2003**

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ACCUMULATED FUNDS	Notes	NZD (\$) 2003	NZD (\$) 2002
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)	-
		<u>(1,230,233)</u>	<u>(1,016,036)</u>
Represented by:			
CURRENT ASSETS			
Cash on Hand and at Bank	2	98,308	62,723
Loans Receivable	3, 11	280,463	182,462
Other Receivables	4	2,727	23,241
		<u>381,498</u>	<u>268,426</u>
CURRENT LIABILITIES			
Other Creditors and Accruals	5	14,213	13,819
WORKING CAPITAL			
		367,285	254,607
FIXED ASSETS			
	6	77,559	49,115
TERM LIABILITIES/QUASI EQUITY			
Soft Loans/Quasi Equity	7	1,566,398	1,319,758
Commercial Loans	8	108,679	
		<u>(1,230,233)</u>	<u>(1,016,036)</u>

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



Gregory F. Casagrande
PRESIDENT

24 March 2004

Date

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF REVENUES AND EXPENDITURES
FOR YEAR ENDING 31 DECEMBER 2003**

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	Notes	NZD (\$) 2003	NZD (\$) 2002
REVENUES			
Interest from Loans		74,508	67,772
Loan Recoveries		42,419	-
Insurance on Loans		10,499	-
Operating Revenues Sub-Total		127,426	67,772
Grants	9	30,862	68,907
Miscellaneous Income		822	905
Interest on Bank Accounts		516	532
Gain on Disposal of Fixed Assets		-	11,473
Non-Operating Revenues Sub-Total		32,200	81,817
Total Revenues		159,626	149,589
EXPENDITURES			
Salaries and Wages		111,959	81,507
Transportation		28,520	23,705
Depreciation	6	25,882	44,148
Repairs and Maintenance		23,866	18,452
Other Expenses		20,617	32,076
Rental Expenses		15,252	13,030
Collection Fees - Delinquent Loans	10	12,767	53,811
Printing and Stationeries		8,169	10,464
Travel		7,237	756
Communications		5,920	9,405
Professional Services		5,537	3,105
National Provident Fund		5,346	3,215
Public Relations		5,332	3,429
Insurance		3,241	3,711
Bank Charges		2,392	2,601
Office Expense		1,760	2,687
Accident Compensation Board		1,042	728
Taxes and Fees		724	697
Operating Expenditures Sub-Total		285,563	307,526
Interest Expenses		43,727	33,610
Loan Loss Provision Expense		42,419	-
Interest on Overdraft		2,468	175
Foreign Exchange (Gain)/Loss		(355)	14,005
Total Expenditures		373,822	355,317
Net Income/Loss		(214,196)	(205,728)
Transfer to Accumulated Funds		(214,196)	(205,728)

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

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF CASHFLOWS
FOR YEAR ENDING 31 DECEMBER 2003**

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	NZD (\$)	NZD (\$)
	2003	2002
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Loan Principal Repayments	340,758	339,787
Loan Interest Repayments	75,115	71,428
Loan Recoveries	42,419	-
Loan Insurance	10,499	-
Receipts from Suppliers	822	905
Interest from Bank	516	532
Cash was applied to:		
Loans Disbursements	(482,148)	(294,846)
Payments to Suppliers and Employees	(260,900)	(263,554)
Others	(11,406)	40,855
Net Cashflows from Operating Activities	(284,325)	(104,893)
CASHFLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal	-	11,473
Purchase of Fixed Assets	(54,326)	(21,141)
Net Cashflows from Investing Activities	(54,326)	(9,668)
CASHFLOWS FROM FINANCING ACTIVITIES		
Soft Loans/Quasi Equity	305,653	120,304
Loan Repayment - Soft Loans	(28,203)	(21,189)
Commercial Loans	108,679	-
Grants	30,862	68,907
Interest Paid on Loans	(42,755)	(33,610)
Net Cashflows from Financing Activities	374,236	134,412
NET INCREASE/ (DECREASE) IN CASH	35,585	19,851
OPENING CASH BALANCE	62,723	42,872
CLOSING CASH BALANCE	98,308	62,723
Represented by:		
Samoa-based Accounts		
ANZ Bank - Chequing Account	(1,060)	1,987
ANZ Bank - Grameen Trust Account	75	227
ANZ Bank - Access Account	25,860	56,754
ANZ Bank - Term Deposit	26,943	-
ANZ Bank - USD Account	(64)	-
WESTPAC Bank - Term Deposit	44,376	-
Cash on Hand	-	1,494
Petty Cash	274	302
New Zealand-based Account		
Bank of New Zealand	1,904	1,961
	98,308	62,723

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	2-3 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 average exchange rates for the quarter in which they occurred. Assets and liabilities in local currencies at balance date have been converted at rates ruling at that date, except for fixed assets. Exchange differences are taken to the statement of revenues 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 fourth year since South Pacific Business Development (SPBD) started its operations. The audited figures for the year ended 2002 are provided for comparison.

2 CASH AND BANK BALANCES	2003	2002
Samoa-based Accounts		
ANZ Bank - Access Account	25,860	56,754
ANZ Bank - Checking Account	(1,060)	1,987
ANZ Bank - Grameen Trust Account	75	227
ANZ Bank - Term Deposit	26,943	-
WESTPAC Bank - Term Deposit	44,376	-
Cash on Hand	-	1,494
Petty Cash	274	302
SPBD USD Account	(64)	
New Zealand-based Account		
Bank of New Zealand	1,904	1,961
	98,308	62,723

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
NOTES TO ACCOUNTS
FOR YEAR ENDING 31 DECEMBER 2003**

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3 LOANS RECEIVABLE	2003	2002
Total Disbursements (Accumulative Since Inception)	1,867,850	1,526,938
Less: Repayments (Accumulative Since Inception)	(1,370,418)	(1,134,606)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(213,288)	(168,365)
Gross Loans Receivable (Note 3a)	<u>284,144</u>	<u>223,967</u>
Less: Loan Contingency Reserve (Note 3c)	(3,681)	(41,505)
	<u><u>280,463</u></u>	<u><u>182,462</u></u>

3a Gross Loans Receivable

Ending Balance as at 31 December 2002		223,967
Add/Less: 2003 Transactions	WST	NZD
2003 Disbursements	891,875	482,148
2003 Repayments	(630,333)	(340,758)
Write-offs - Principal (Note 3b)	(111,906)	(60,496)
Foreign Exchange Effect on Prior Loans Receivable		(20,717)
Total	<u><u>149,636</u></u>	<u><u>60,177</u></u>
Balance as at 31 December 2003		<u><u>284,144</u></u>

3b Write-offs 2003

Total Write-offs (Principal Only) as at 31 December 2003		213,288
Represented by:	WST	NZD
Write-offs in 2002	282,635	168,365
Write-offs in 2003		
Balance Due from Former Employees	1,552	839
Employee Loans - all issued in 2001	2,418	1,307
Individual Loans - all issued in 2000 and 2001	10,926	5,907
Flexible Loans - all issued in 2002	23,056	12,464
Group Loans - all issued in 2000 and 2001	75,503	40,817
Foreign Exchange Effect on Prior Loans Receivable		(16,411)
Balance as per above total	<u><u>396,091</u></u>	<u><u>213,288</u></u>

3c Loan Contingency Reserve

Closing Balance as at 31 December 2003		3,681
Represented by:	WST	NZD
Balance at Year-End 2002	69,674	41,505
Foreign Exchange Effect on Transfer	0	(6,204)
Opening Balance for 2003	69,674	35,301
Provision made in 2003	74,093	42,419
Less: Write-off - Loans (P+I)	(135,406)	(73,200)
Less: Write-off - Former Emp Dues	(1,552)	(839)
Ending Balance for 2003	<u><u>6,809</u></u>	<u><u>3,681</u></u>

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
NOTES TO ACCOUNTS
FOR YEAR ENDING 31 DECEMBER 2003**

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4 OTHER RECEIVABLES	2003	2002
Due from Employees	-	900
Prepaid Insurance	1,946	1,625
Due from Former Employee/Others	-	856
Others (Deposit/Travel Advance)	761	701
Interest Due	20	19,159
	<u>2,727</u>	<u>23,241</u>

5 OTHER CREDITORS AND ACCRUALS

Interest Payable	2,183	1,852
Accrued Expenses	12,030	11,967
	<u>14,213</u>	<u>13,819</u>

6 FIXED ASSETS

2003	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
	<u>217,694</u>	<u>140,135</u>	<u>25,882</u>	<u>77,559</u>

2002	Cost	Accumul. Deprec.	Depreciation Charge	Net Book Value
Office Equipment	6,809	3,155	1,353	3,654
Computers	29,380	13,264	5,876	16,116
Furniture and Fittings	12,358	5,994	2,553	6,364
Leasehold Improvements	11,194	5,585	1,396	5,609
Motor Vehicles	103,626	86,254	32,970	17,372
	<u>163,367</u>	<u>114,252</u>	<u>44,148</u>	<u>49,115</u>

7 SOFT LOANS/QUASI EQUITY

	2003	2002
Donald Hollander	1,622	-
Scott Gilmore	10,000	10,000
Grameen Trust	17,108	29,412
PlaNet Finance	35,600	-
Deutsche Bank	68,431	-
SPBD-USA	83,637	107,846
Gregory F. Casagrande	1,350,000	1,172,500
Total	<u>1,566,398</u>	<u>1,319,758</u>

7 SOFT LOANS/QUASI EQUITY (cont'd)

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.

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.

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.

PlaNet Finance

SPBD received another loan of EUR \$20,000 in 2003 from the PlaNet Finance. The loan, bearing an interest of 6% p.a. on the amount actually lent to the SPBD and in the proportion of the exact number of days during which the amount will actually remain at the borrower's disposal. The repayment of principal and interests will take place one year after the receipt of each installment by the borrower.

Deutsche Bank

SPBD received a loan of USD \$45,000 from DB Microcredit Development Fund with a maturity date of September 30, 2004. The interest rate is 1% 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.

SPBD-USA

SPBD received a loan of USD \$50,000 in 2001 from SPBD-USA, of which USD \$10,000 was allocated for Technology and Good Governance Account as provided in the agreement. An additional loan of USD \$5,000 was received in 2002 which brings the total to USD \$55,000. The loan is to be repaid within 3 years beginning 30 March 2004. The interest rate is 1% p.a. on the balance outstanding at the end of December every year.

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 year-end 2003 is NZD \$1,350,000. The loan is composed of 9 different tranches with varying interest rates and durations. The average loan interest cost is around 3% p.a. The loan is to be paid down in increasing quarterly payments as SPBD becomes financially viable.

8 COMMERCIAL LOANS

	2003	2002
WESTPAC Bank	54,340	-
ANZ Bank	54,339	-
Total	<u>108,679</u>	<u>-</u>

WESTPAC BANK

SPBD received a ST\$100,000 loan under the form of an overdraft facility from WESTPAC Bank Samoa maturing on 31st October 2004. Interest rate is fixed at WESTPAC's Prime Lending Rate (currently at 9.75% p.a.) plus a margin of 0.25% p.a. SPBD secured this loan based on Deutsche Bank's 50% cash deposit collateral.

ANZ BANK

SPBD received a ST\$100,000 loan under the form of an overdraft facility from ANZ Bank Samoa maturing on 23rd October 2004. Interest rate is fixed at ANZ's Prime Lending Rate (currently at 9.75% p.a.). SPBD secured this loan based on Deutsche Bank's 50% cash deposit collateral.

9 GRANTS

SPBD received a USD \$20,000 grant in 2003 from SPBD-USA to further expand our microcredit loan portfolio, thus bringing the total grant funding since 2002 from SPBD-USA to USD \$55,000.

10 COLLECTION FEES - DELINQUENT LOANS

Starting in 2002, SPBD has turned over a number of defaulted loans to Drake & Co and Brunt /Keli LP, both legal firms to initiate legal action for loan recoveries. Significant recoveries were collected in 2003 and SPBD expects the same in 2004.

11 LOAN WRITE-OFF

The purpose of the loan write - off is to remove from SPBD's balance sheets loans in arrears, where there is little hope of any timely, material loan payment recovery. Any loan in arrears exceeding 24 weeks (normal loans) or 12 weeks (flexible loans) are short listed for potential write-offs. A review for possible write-offs is done twice a year.

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.