



SPBD MICROFINANCE (SAMOA) LTD.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

**SPBD MICROFINANCE (SAMOA), LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
CONTENTS**

	Page
STATEMENT OF THE BOARD OF DIRECTORS	3
AUDITOR'S REPORT	5
FINANCIAL STATEMENTS	
Balance Sheet	6
Income Statement	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes to the Financial Statements	10
Portfolio Description Report	33

**SPBD MICROFINANCE (SAMOA), LTD.
STATEMENT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

The Board of Directors (“BOD”) submits its report and the audited financial statements of SPBD Microfinance (Samoa), Ltd. (“SPBD”) for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

The principal activity of SPBD is to improve the quality of life of families living in poverty by providing unsecured credit, training, and ongoing motivation and guidance to help them start, grow and maintain micro-businesses, build assets, as well as, finance home improvements and childhood education. Its corporate vision is to create a network of micro-enterprise development organizations in the South-Pacific and neighbouring regions to empower women through financial access and economic development to help lift themselves and their families permanently out of poverty and improve self-esteem.

RESULTS

The results of operation for the year ended 31 December 2011 are set out in the income statement and they show that the results were a net profit of WST \$571,923 for the year.

THE BOARD OF DIRECTORS

The members of the BOD during the period and at the date of the report are:

- | | |
|------------------------------------|----------|
| • Gregory F Casagrande, USA | Chairman |
| • James Young , USA | Member |
| • Minh Huy Lai, France | Member |
| • Nigel Burr, local banking expert | Member |

DIVIDEND

The Directors recommend that no dividend be paid.

OTHER DISCLOSURES

The Company is a limited liability company incorporated and domiciled in Samoa. The address of its registered office is Pacific Buildings, Saleuifi, Apia Samoa. The postal address is PO Box 1614 and it is located at Apia, Samoa.

**SPBD MICROFINANCE (SAMOA), LTD.
STATEMENT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

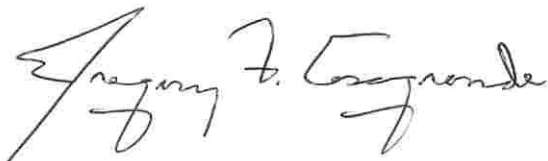
RESPONSIBILITIES OF THE BOD IN RESPECT OF THE FINANCIAL STATEMENTS

The BOD is responsible to ensure that the financial statements are properly drawn up, so as to give a true and fair view of the financial position of SPBD as at 31 December 2011, and of the results of its operations for the period then ended. In preparing these financial statements, the BOD is required to:

- i. Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and them apply them consistently,
- ii. Maintain adequate accounting records and an effective system of internal controls;
- iii. Prepare the financial statements on a going concern basis unless it is inappropriate to assume that SPBD will continue operation in the foreseeable future;
- iv. Set overall policies for SPBD, ratify all decisions and actions by the management that have a material effect on the operation and performance of SPBD, and ensure they have been properly reflected in the financial statements.

The BOD confirms that SPBD has complied with these requirements in preparing the financial statements.

On behalf of the Board of Directors,



Gregory F. Casagrande
Chairman
Date: 31 March 2012

**INDEPENDENT AUDIT REPORT
TO THE BOARD OF DIRECTORS OF
SPBD MICROFINANCE (SAMOA) LTD.**

We have audited the accompanying balance sheet of SPBD Microfinance (Samoa) Ltd. as of 31 December 2011 and the related statements of income, statement of changes in equity and cash flows for the year then ended. These financial statements are the responsibility of SPBD Microfinance (Samoa) Ltd. management. Our responsibility is to express an opinion on these financial statements based on our audit.

The Responsibility of Board of Directors for the Financial Report

The Board of Directors is responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Opinion

In our opinion, the financial report gives a true and fair view of the financial position of SPBD Microfinance (Samoa) Ltd. as of 31 December 2011, and of its financial performance, statement of changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



BETHAM & CO.

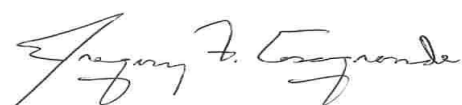
Certified Public Accountants

Apia

Dated: 21 June 2012

**SPBD MICROFINANCE (SAMOA), LTD.
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 WST (\$)
ASSETS		
Current assets		
Cash on hand and at bank	(4)	1,813,740
Loans receivables	(5)	4,794,945
Other receivables	(6)	<u>169,978</u>
Total current assets		<u>6,778,663</u>
Intangible assets		
Goodwill	(7)	<u>979,183</u>
Total intangible assets		979,183
Non-current assets		
Property and equipment	(8)	<u>157,823</u>
Total non-current assets		157,823
TOTAL ASSETS		<u>7,915,669</u>
LIABILITIES, EQUITY AND RESERVES		
Current liabilities		
Other creditors and accruals	(9)	140,431
Reserve for DBI	(10)	15,000
Member savings deposits	(11)	<u>650,395</u>
Total current liabilities		805,825
Non-current Liabilities		
Borrowings	(12)	<u>5,835,205</u>
Total non-current liabilities		5,835,205
Equity and reserves		
Equity	(13)	201,044
Excess of income and expenditures		571,923
Subordinated debt	(14)	<u>501,672</u>
Total equity and reserves		1,274,639
TOTAL LIABILITIES, EQUITY AND RESERVES		<u>7,915,669</u>



Gregory F. Casagrande
PRESIDENT

21 June 2012
Date

The accompanying notes form an integral part of these financial statements

**SPBD MICROFINANCE (SAMOA), LTD.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 WST (\$)
Financial income		
Interest from Loans		2,125,506
Insurance on Loans		218,109
Death Benefit Insurance		60,112
Savings Fees		20,064
Interest on Bank Accounts and Term Deposits		45,699
Financial income sub-total		2,469,489
Financial expenditures		
Interest Expenses		233,200
Interest on Overdraft Facilities		210,469
Financial expenditures sub-total		443,669
Net financial income		2,025,820
Loan loss provision	(15)	93,060
Net financial margin		1,932,760
Operating expense	(16)	1,269,334
Net operating income		663,426
Non-operating revenue	(17)	(54,955)
Non-operating expenses	(18)	36,548
Net profit before income tax		571,923

The accompanying notes form an integral part of these financial statements

**SPBD MICROFINANCE (SAMOA), LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Issued and paid up capital	Non- dilutive equity	Subordinated debt	Retained earnings /(losses)	Total
Note					
Balance at 1 January 2011				-	-
Issued during the year	88,094	112,950	501,672		702,716
Net profit				571,923	571,923
Balance at 31 December 2011	88,094	112,950	501,672	571,923	1,274,639

**SPBD MICROFINANCE (SAMOA), LTD.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 WST (\$)
CASHFLOWS FROM OPERATING ACTIVITIES		
Interest Received		2,125,432
Fees Received		326,622
Interest Paid on Loans		(303,010)
Cash paid to suppliers & employees		(1,303,880)
Other receipts		(10,609)
		<u>834,555</u>
Net cash provided by operating activities		
CASHFLOW FROM INVESTING ACTIVITIES		
Loans Disbursement		(8,568,692)
Loans Repayment		7,835,791
Payments for property, plants & equipment		(25,193)
Receipts from disposal of fixed assets		18,000
		<u>(740,094)</u>
Net cash provided by investing activities		
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings		1,949,596
Repayments of long term borrowings		(2,082,647)
Members savings		83,444
Grants during the year		12,320
		<u>(37,287)</u>
Net cash provided by financing activities		
NET INCREASE/(DECREASE) IN CASH IN HAND AND IN BANKS		<u>57,174</u>
OPENING CASH BALANCE/DATE OF TRANSFER		<u>1,756,566</u>
CLOSING CASH BALANCE	(4)	<u>1,813,740</u>

The statement of cash flows is to be read in conjunction with the notes to accounts

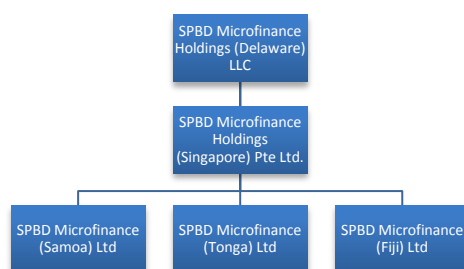
**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

1. GENERAL INFORMATION

SPBD Microfinance (Samoa), Ltd. (“SPBD”), was incorporated under the Companies Act 2001 on the 13th day of December 2010 with the Ministry of Commerce, industry and Labour (MCIL) of Samoa. SPBD took over the activities, assets and liabilities of South Pacific Business Development Foundation. The aims of SPBD are to improve the quality of life of families living in poverty by providing training, unsecured credit and ongoing guidance and motivation to help them start, grow and maintain income generating micro-businesses, build savings, as well as, finance home improvements and childhood education.

With the incorporation of SPBD Microfinance (Samoa) Ltd the company is under the umbrella of a Holding Company called SPBD Microfinance Holdings Ltd incorporated in Singapore which is its ultimate parent company. This transformation will formally link SPBD Microfinance Ltd (Samoa), -(Tonga), and - (Fiji), as sister organizations and will enable many efficiencies and operating improvements. Gregory F. Casagrande owns 100% of the Holding Company.

SPBD Microfinance network



SPBD Microfinance Ltd (Samoa) is regulated under Samoa’s Companies Amendment Act 2006 and is subject to the prudential requirements of the Money Laundering Act 2007, at the discretion of the Central Bank of Samoa. Since SPBD Microfinance Ltd (Samoa) maintains the same product scope as SPBD Foundation (Samoa), there will be no major changes in the reporting requirements or prudential supervision from what is currently in place today for SPBD Foundation (Samoa).

To comply with money laundering prudential standards, SPBD has:

- Internal systems and checks in place, such as “Know Your Customer” (KYC) procedures, record keeping, normal onsite inspections and the current monthly reports to the Central Bank.
- A full-time compliance officer.

SPBD as a non-bank financial institution will continue to empower its members through financial access and economic development to help improve themselves and their families permanently. SPBD is operating in Upolu, Savaii and Manono islands.

SPBD acquired the business License certificate Number 234275 from the Inland Revenue Services, Government of Samoa to carry on the business or economic activity of financial leasing.

As at 31 December 2011, SPBD has 25 staff of whom 6 are assigned in Savaii office and 19 in the Head Office in Apia.

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

a. Basis of Preparation

These financial statements have been prepared in accordance with the requirements of the Companies Act 2001 and the *International Financial Reporting Standards (IFRS)* issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost basis as modified by the revaluation of certain financial assets and liabilities. The principal accounting policies are stated to assist in a general understanding of these financial statements. The financial statements are prepared in Samoan Tala.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Standards, interpretations and amendments issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 July 2011 or later periods as stated, but the Group has not early adopted them. Adoption of these standards and interpretations may or may not have any significant impact on the Group's financial statements as the Group is assessing the impact of future adoption of these standards.

IFRS 1 Amendment	First-time adoption: Exemption for severe hyperinflation and removal of fixed dates	1 July 2011
IFRS 7 Amendment	Financial instruments: Disclosures on transfer of financial assets	1 July 2011
IAS 12 Amendment	Income taxes: Deferred tax	1 January 2012
IAS 1 Amendment	Financial statement presentation regarding other comprehensive income accounting for investment properties	1 July 2012
IFRS 9 Amendment	Financial instruments: Classification and measurement	1 January 2013
IAS 19 Amendment	Employee benefits	1 January 2013
IFRS 10	Consolidated financial instruments	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27 (Revised)	Separate financial statement	1 January 2013
IAS 28 (Revised)	Associates and joint ventures	1 January 2013

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

b. Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency is the Samoan Tala (WST).

c. Foreign currency transactions

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rates ruling at the dates the fair value was determined. The following exchange rates were used to convert monetary assets and liabilities denominated in foreign currencies at year end:

	31-Dec-11	31-Dec-10
NZD/WST	0.5396	0.5403
USD/WST	0.4161	0.4195
EUR/WST	0.3152	0.3085

d. Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

Interest income

Interest income on investments, loans and advances is recognised as it accrues. Interest on impaired loans is recognised as income only when received.

Fees and charges

Fees and charges are brought to account when they are earned. Fees on impaired loans are recognised as income only when received.

Loan security fee income

SPBD charges and with-holds 2% as insurance on the principal amount on the loans approved for disbursement to the customers as security in case the customer dies before full payment of their loans. (This only applies to the 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 when the loan disbursement occurs.

Savings accounts withdrawal fees

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

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Premium revenue

Premium revenue on the death benefit policy offered by the company is recognised in the period in which the premiums are earned during the term of the contract. In this case the premium is a one off payment paid at the time the loan is disbursed to the customer.

e. Grants

Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

f. Loans

Loans are disclosed net of lending provisions. Term loans are carried at principal balances outstanding plus interest accrued.

The Company adopts the Grameen Bank's group solidarity lending methodology which provides credit that is individually unsecured but secured by the group guarantee policy arrangements. There are two group loan products 1) 52 week loan product and 2) 17 week loan product. The primary purposes of the loans are for establishing new or expanding of micro businesses.

g. Impairment of loans

The Company 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 according to the age of the outstanding payment. The age of outstanding payment is analysed in three weekly bands from one week to greater than twenty one weeks. 100% provision is automatically assessed for loans whose repayments are more than 21 weeks overdue.

When a loan is uncollectible, it is written off against the related provision for bad and doubtful loans. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the provision decreases and the decrease can be related objectively to an event occurring after the provision was recognised (such as an improvement in the debtor's credit rating), the previously recognised provision is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Loan recoveries are cases of default loans which have been written off during previous year's and subsequently recovered are credited to income as bad debts recovered in the period in which the recovery is made.

h. Property and equipment

Items of equipment, furniture and motor vehicles are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The costs of the day to day servicing of the property, plant and equipment are recognized in profit and loss as incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives at which depreciation is charged are as follows:

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

The residual value is reassessed annually. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

i. Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

j. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances of cash on hand and at bank including short term deposits which are subject to an insignificant risk of conversion to cash.

k. Value added goods and services tax (VAGST)

As a financial institution, the Bank is exempt from VAGST. The Bank however, is allowed to collect VAGST on rental income and claim VAGST on maintenance and other related costs of the building.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

l. Income tax

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 sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which unused tax losses and credits can be utilised.

m. Accounts payable

Accounts payables are recognised when the Bank becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received. Given the short term nature of most payables, the carrying amounts approximate fair value.

n. Employee benefits

The Bank contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognised immediately in profit or loss.

Liabilities for annual leave is accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present obligation or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

o. Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs except for those carried at fair value through profit and loss which are measured initially at fair value. Subsequent measurements of financial assets and financial liabilities are described below.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following categories; loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition they are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Bank's loans and receivables comprise 'Loans to customers', 'Cash on hand and at banks' and 'Term deposits'. Loans to customers are considered impaired when they are past due per Note 2(g).

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables. Financial liabilities are recognized initially at fair value, net of transactions costs incurred. They are measured subsequently at amortised cost using the effective interest method.

o. Comparatives

This is the first year of operation for the Company and as a result there are no comparative disclosures.

3. CRITICAL ACCOUNTING ESTIMATES/JUDGEMENTS

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 Bank 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.

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

4. CASH AND BANK BALANCES

	31-Dec-11	31-Dec-10
	WST (\$)	WST (\$)
Cash on hand		
Petty Cash	707	707
Savaii Impress	1,500	1,500
Sub-Total	2,207	2,207
Bank balances – Unrestricted		
Euros	2,087	53,840
United States dollars	62,207	185,002
Samoan tala	84,132	82,040
Sub-Total	148,426	320,882
Bank balances – Restricted to Members Savings		
Samoan tala term deposits	271,355	265,823
Samoan tala current account	210,834	193,381
Sub-Total	482,189	459,204
Balance balances – Restricted for security for overdraft facilities		
Euro Term Deposit (CreSud Collateral and OD Facility)	116,102	149,638
USD Term Deposit (OD Facility)	141,194	113,447
Samoan tala Term Deposit (OD facility)	750,600	1,750,278
USD (DBMF Collateral)	94,366	90,909
SPBD Samoan tala	80,074	-
Sub-Total	1,180,918	974,272
TOTAL CASH AND BANK BALANCES	1,813,740	1,756,566

5. LOANS RECEIVABLE

Gross Loans Receivable (Since Inception)

	31-Dec-11	31-Dec-10
	WST (\$)	WST (\$)
Total Disbursements (Accumulative Since Inception)	45,820,986	37,252,294
Less: Repayments (Accumulative Since Inception)	(40,290,198)	(32,454,408)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(717,308)	(650,518)
Gross Loans Receivable	4,813,480	4,147,368
Less: Loan Contingency Reserve	(18,535)	(16,265)
	4,794,945	4,131,103

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

Types of loans

- i) 52-weeks Loan are loans granted in Samoan Tala to clients who belong to SPBD Centers. This type of loan is provided to clients at an interest rate of 27.00% for a loan cycle of 52 weeks. Principal and interest payment are made on a weekly basis. Loan amount ranges from a minimum of WST500 to WST6,000. New client members may borrow from WST500 to WST 1,000.
- ii) 17-weeks Loan are loans granted in Samoan Tala to clients who belong to SPBD Centers. This type of loan is provided to clients at an interest rate of 9.00% for a loan cycle of 17 weeks. Principal and interest payment are made on a weekly basis. Loan amount ranges from a minimum of WST300 to WST500.

Related Party Transactions (Individual SPBD Staff Loans)

<u>Borrower</u>	<u>Balance (WST)</u>	<u>Term</u>	<u>Status</u>
Staff	\$99,414	3 to 24 months	Current

The above balance of \$99,414 for Related Party transactions is included in the Gross loan receivable of WST 4,813,480 as at 31 December 2011.

6. OTHER RECEIVABLES

OTHER RECEIVABLES	31-Dec-11	31-Dec-10
	WST (\$)	WST (\$)
Prepaid insurance	3,969	3,092
Others (Deposit/Travel advance)	11,641	11,641
Interest due	26,850	11,642
Employee Receivable	55,938	51,878
Less: Employee Receivable Provisioning	(51,348)	(51,348)
Other Receivables – 2011 Refer note 11 Capital	122,927	
	169,978	16,906

7. GOODWILL

The value of SPBD foundation over and above the value of its assets resulting from the reputation established with clients, lender, the government of Samoa and other stakeholders since its inception on 18 January 2000.

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

8. PROPERTY AND EQUIPMENT

The Foundation transferred all the property, plant and equipment as of 01 January 2011 to SPBD. These assets were transferred at their respective net book values recorded in the Foundation's account.

	Office Equipment and Computers	Furniture & Fittings and Leasehold Improvements	Motor Vehicles	Total
Gross carrying amount				
Balance at 1 January 2011	247,701	50,200	607,650	905,550
Additions	8,268	925	16,000	25,193
Disposals	-	-	(45,000)	(45,000)
Balance at 31 December 2011	255,969	51,125	578,650	885,743
Accumulated depreciation				
Balance at 1 January 2011	184,587	44,837	504,109	733,533
Depreciation for the year	21,820	2,233	15,333	39,387
Disposals	-	-	(45,000)	(45,000)
Balance at 31 December 2011	206,407	47,070	474,442	727,920
Net Book Value 2011	49,562	4,055	104,208	157,823

One vehicle was disposed in 2011 after it was fully depreciated, and gain received from disposal is recognised in the Income statement. Hence the original cost of vehicle valued \$45,000 has been written off at 31 December 2011, therefore reduced Cost of Fixed Assets and Accumulated Depreciation.

9. OTHER CREDITORS AND ACCRUALS

	31-Dec- 11 WST (\$)	31-Dec-10 WST (\$)
Interest Payable	88,168	59,995
Accrued expenses and other payables	14,815	18,636
Unearned Insurance (DBI)	37,447	30,619
Total	140,431	109,250

10. RESERVE FOR DEATH BENEFIT INSURANCE

The reserve is calculated based on 2011 number of members passed away, to ensure we provision enough to cover for 2012 DBI.

	31-Dec-11 WST(\$)	31-Dec-10 WST (\$)
DBI Reserve	29,000	
Less: Payment made in 2011 re: claims	(14,000)	5,000
	15,000	

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Unearned Insurance for 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.

	31-Dec-11	31-Dec-10
	WST (\$)	WST (\$)
Total insurance income	66,940	44,865
Less: Earned insurance premiums	29,493	14,246
Total unearned insurance as per above	37,447	30,619

11. MEMBERS SAVINGS DEPOSIT

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 months 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 \$10 deposit. SPBD also started its savings policy in 2007 whereby 5% loan retention (compulsory savings) goes into a member's Savings account. SPBD is not a regulated financial intermediary and does not there use client deposit for on-lending. Members can withdraw money with prior notice or anytime for emergencies. SPBD provides monthly savings report to Central Bank of Samoa. The 5% retention can only be withdrawn by a member after the latest loan is paid off. SPBD deposits collected savings daily in a segregated bank account at WESTPAC Bank. Details of customer deposits by bank are as follows:

	31-Dec-11	31-Dec-10
	WST (\$)	WST (\$)
WESTPAC	483,689	406,019
ANZ	166,706	160,932
Total	650,395	566,951

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

12. BORROWINGS

	Notes	31-Dec-11	31-Dec-10
<i>Unsecured soft term loans:</i>		\$	\$
Jasmine Charitable Trust	(i)	490,000	850,000
Kiva Micro funds	(ii)	304,851	528,644
David Adams	(iii)	9,613	9,535
Whole Planet Finance	(iv)	435,525	-
OikoCredit	(v)	566,523	882,412
Cresud	(vi)	431,472	842,788
Planis	(vii)	0	324,149
DBMF	(viii)	96,131	95,352
MicroDreams	(ix)	1,261,307	300,000
<i>Secured overdraft borrowing facilities:</i>			
Westpac Bank Samoa	(x)	1,032,058	1,003,345
ANZ Bank	(xi)	1,011,076	696,718
SCB	(xii)	196,649	183,930
		<u>5,835,205</u>	<u>5,716,872</u>

The above borrowings are analyzed as follows:

a) By currency

Currency	31 Dec-11	31-Dec-10
Samoan Tala	3,465,308	3,033,993
US Dollar	1,371,902	633,531
Euro	<u>997,995</u>	<u>2,049,349</u>
Total	<u>5,835,205</u>	<u>5,716,872</u>

i. Jasmine Charitable Trust

The Jasmine Charitable Trust has entered into two previous loan agreements dated March 6, 2007 and May 14, 2009 respectively. SPBD received 2 tranches in 2009 amount to ST\$350,000, and the total amount of loan outstanding was consolidated in compliance with the new loan agreement where loan terms and conditions have been modified and incorporated into the new loan contract. The total consolidation amount was ST\$850,000 with the interest of 5% per annum, and quarterly required repayments were effective 1 April 2010 and shall be ended by 1 January 2013. The loan is unsecured with scheduled amortization of principal and interest during the term.

Currency	Interest per annum	Maturity Date	Beginning Balance WST (\$)	Repayments	Ending Balance WST (\$)
WST	5%	1 January 2013	850,000	360,000	490,000

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

ii. Kiva MicroFunds

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\$2,877,525

And SPBD repaid back USD\$2,750,676.47 thus reducing its outstanding balance as of 31 December 2011 to USD\$126,848 (Equivalent ST\$304,851). The loan is unsecured with on-going principal payment based on fund raising limit of SPBD.

<i>Currency</i>	<i>Interest per annum</i>	<i>Maturity Date</i>	<i>Opening Balance USD (\$)</i>	<i>Drawn during the year</i>	<i>Repayments</i>	<i>Ending Balance USD (\$)</i>	<i>Ending Balance WST (\$)</i>
USD	0%	On-going	221,766	307,100	402,018	126,848	304,851

iii. 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. The loan is unsecured with end of term payment of principal.

<i>Currency</i>	<i>Interest per annum</i>	<i>Maturity Date</i>	<i>Opening Balance USD (\$)</i>	<i>Ending Balance USD (\$)</i>	<i>Ending Balance WST (\$)</i>
USD	0%	31 December 2015	4,000	4,000	9,613

iv. Whole Planet Foundation

July 18, 2011, SPBD signed a Loan agreement with Whole Planet Foundation for a local currency loan equivalent to USD500,000 to be disbursed in tranches over a period of three years. The first loan tranche was disbursed on 25 July 2011 amounting to WST435,525 (equivalent to USD200,000). The loan is unsecured with scheduled amortization of principal payment during the term.

<i>Currency</i>	<i>Interest per annum</i>	<i>Maturity Date</i>	<i>Opening Balance WST (\$)</i>	<i>Drawn during the year</i>	<i>Repayments</i>	<i>Ending Balance WST (\$)</i>
WST	0%	31-Dec-15	-	435,525	-	435,525

v. Oikocredit

SPBD received additional loan amount EURO\$250,000 on February 2010, and made two principal repayments against this new loan in 2011. SPBD also paid off a second loan from Oikocredit, thus reducing an outstanding balance at 31 December 2011 to EURO\$178,568. (Equivalent ST\$566,523). The loan is unsecured with scheduled amortization of principal and interest payments during the term.

<i>Currency</i>	<i>Interest per annum</i>	<i>Maturity Date</i>	<i>Beginning Balance EURO (\$)</i>	<i>Repayments</i>	<i>Ending Balance EURO (\$)</i>	<i>Ending Balance WST (\$)</i>
EURO	10.0%	31 May 2011	22,224	22,224	Nil	
EURO	9.25%	4 February 2014	250,000	71,432	178,568	566,523

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

vi. Cresud

SPBD received a new loan in July 2009 amount EURO\$250,000 and an additional loan amount EURO\$60,000 in November of the same year to assist in the SPBD Recovery Plan for clients affected by Tsunami. SPBD made two repayments in 2011 towards these loans, thus reducing the outstanding balance as of 31 December 2011 to EURO\$136,000 (Equivalent WST\$431,472). The loan is unsecured with scheduled amortization of principal and interest payments during the term.

<i>Currency</i>	<i>Interest per annum</i>	<i>Maturity Date</i>	<i>Beginning Balance EURO (\$)</i>	<i>Repayments</i>	<i>Ending Balance EURO (\$)</i>	<i>Ending Balance WST (\$)</i>
EURO	9%	30 September 2012	200,000	100,000	100,000	317,259
EURO	9%	31 March 2013	60,000	24,000	36,000	114,213
						431,472

vii. PlaNis

SPBD received EURO\$100,000 from PlaNis on 31 May 2010 to assist in financing micro loans for SPBD existing and new clients. The full amount of principal and interest was fully paid back in 2011 as per agreement. The loan was unsecured with end of term principal and interest payments.

<i>Currency</i>	<i>Interest per annum</i>	<i>Maturity Date</i>	<i>Beginning Balance EURO (\$)</i>	<i>Repayments</i>	<i>Ending Balance EURO (\$)</i>	<i>Ending Balance WST (\$)</i>
EURO	8%	30 June 2011	100,000	100,000	-	-

viii. DBMF

SPBD received a loan amount USD\$40,000 from DBMF on 31 August 2010, to assist in financing micro-loans to existing and new clients. The loan is unsecured, end-of term principal payments, and interest payment only during the term.

<i>Currency</i>	<i>Interest per annum</i>	<i>Maturity Date</i>	<i>Beginning Balance US (\$)</i>	<i>Repayments</i>	<i>Ending Balance US (\$)</i>	<i>Ending Balance WST (\$)</i>
USD	5%	24 August 2013	40,000		40,000	96,131

ix. Micro Dreams

SPBD received a loan amount ST\$300,000 from Micro Dreams in 2009 to assist SPBD in financing its activities at 6% interest per annum, and quarterly repayments to start in 2012. There were 3 different tranches received by SPBD from Micro Dreams in 2011 to assist in expanding the outreach to poor women.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Currency	% rate p.a	Maturity Date	Beginning Balance	Availment balance	Repayments	Ending Balance	Amount in WST (\$)
MD2 09	WST	6%	31 Dec 14	300,000			300,000	300,000
MD2 11	USD	7%	30 Sept 14		200,000		200,000	120,163
MD2 11	USD	7%	31 Dec 15		50,000		50,000	480,654
MD2 11	USD	7%	31 Dec 15		150,000		150,000	360,490
Total				300,000				1,261,307

x. 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 overdraft facilities have been increased to \$1,046,000 in May 2010.

Overdraft Facility No.	Currency	Interest per annum	Credit Limit	Credit Limit Utilised	Available Balance	Type of Security	Amount of Security \$
52213	WST	9.75%	1,000,000	986,132	13,868	term deposit	WST\$500,000
119731	WST	9.75%	46,000	45,926	74	standby letter of credit	GBP10,000
			1,046,000	1,032,058	13,942		

xi. ANZ Bank

The overdraft facility with ANZ is secured by a combination of USD, EURO and Samoan Tala Term Deposit. The bank has approved an increase in overdraft facility to \$1,000,000 in 2011. Note that the credit utilised by the Company has exceeded the credit limit and this borrowing becomes repayable immediately.

Overdraft Facility No.	Currency	Interest per annum	Credit Limit	Credit Limit Utilised	Available Balance	Type of Security	Amount of Security \$
2233433	WST	10.5%	1,000,000	1,011,076	(11,076)	term deposit	WST\$55,000
						term deposit	USD\$49,000
						term deposit	EURO\$50,203.60

xii. Samoa Commercial Bank

On 18 May 2010, SCB opened a new OD Facility in the amount of \$100,000 for SPBD. The security was secured by a letter of guarantee from Microdreams USA. The OD Facility was increased from \$100,000 to \$200,000 on September 2010. The increase was approved by replacing the MD letter of guarantee with the DBMF loan proceeds equivalent to USD\$40,000.

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

<i>Overdraft Facility</i>		<i>Interest per annum</i>	<i>Credit Limit</i>	<i>Credit Limit Utilised</i>	<i>Available Balance</i>	<i>Type of Security</i>	<i>Amount of Security \$</i>
<i>No.</i>	<i>Currency</i>						
1 and 2	WST	10.5%	200,000	196,649	3,351	Term deposit from DBMF	USD40,000

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.

13. EQUITY

SPBD Microfinance Holdings (Singapore) Pte Ltd, the parent company of SPBD Microfinance (Samoa) Ltd. invested ST\$88,094 in Equity into SPBD Microfinance Samoa Ltd in 2011.

Donated capital from TVLLC-IFC was also received during the year increasing the total capital of SPBD

	31-Dec-11 WST (\$)
Equity Investment from SPBD Microfinance Holdings (Singapore)Pte Ltd	88,094
Non-dilutive equity grant from Transformative Ventures LLC	<u>112,950</u>
Total	<u><u>201,044</u></u>

14. QUASI-EQUITY/SUBORDINATED DEBT

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, since 2000, to finance the start-up and growth of SPBD. 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 2012. The outstanding balance as of 31 December 2011 is NZD\$251,250 and USD\$15,000 respectively. (Equivalent to ST\$501,672). This loan is subordinated to all other loans to SPBD. SPBD retains an unconditional right to avoid delivering cash or any other financial asset to settle this liability in the event that it is cash constrained. No principal payments will be made if that payment would infringe on payments to any other creditor to SPBD. If SPBD has ample free cash and ample projected free cash flow, the debt re-payment to Mr Casagrande will be honoured.

	Currency	% rate p.a	Maturity Date	Beginning Balance	Availment balance	Repayments	Ending Balance	Amount in WST (\$)
GFC 1	NZD	0%	31 Dec 12	335,000		83,750	251,250	465,623
GFC 2	USD	0%	31 Dec 12	20,000		5,000	15,000	36,049
Total								501,672

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

15. LOAN LOSS PROVISION

a) Summary

	31-Dec-10	31-Dec-11
	WST (\$)	WST (\$)
Loan loss provision	58,690	56,834
Loan Insurance loss provision	26,229	12,226
Death Benefit Insurance Provision	<u>10,000</u>	<u>24,000</u>
Total	<u>94,919</u>	<u>93,060</u>

b) 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 (<30 days)	5%	140,332	7,017
5 weeks to 8 weeks late (30 to 60 days)	10%	16,439	1,644
9 weeks to 12 weeks late (60 to 90)	25%	13,899	3,475
13 weeks to 16 weeks late (90 to 120)	50%	1,315	658
17 weeks to 20 weeks late 9120 to 140)	75%	4,055	3,041
21 weeks or more (150 + days	100%	41,000	41,000
TOTAL PROVISIONING AS OF 31 DECEMBER 2011			56,834

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

c) Write-offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	16	12,226	0.25%
Death Benefit Insurance Losses	0	-	0.00%
Loans Written Off – 2011	143	54,564	1.13%
Total	159	66,790	1.39%

There were 14 SPBD members passed away in 2011, and were written off loan outstanding as per Loan Insurance policy.

The decision as to which loans to write off in 2011 was made taking into account the age of the outstanding loan compared to the cost effectiveness of legal recovery and management's own

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

evaluation of the likelihood of recovery. Loan write-off requires an approval by the President or BOT.

d) Movements

i) Movement in Loan Loss Insurance

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

	31/12/2011 WST (\$)	31/12/2010 WST (\$)
Loan Loss Reserve – January 1, 2011	16,265	33,170
Plus: Additional reserve 2011	69,060	84,920
Loan Loss Expense for the Year (RE)	12,226	26,229
Loans written off – 2011	54,564	75,596
Loan Loss Reserve 31 Dec 2011	18,535	16,265

ii) Movement in Insurance Loan Loss Reserve

	31/12/2011 WST (\$)	31/12/2010 WST (\$)
Loan Loss Reserve Jan 1, 11	12,226	
Loan Loss expense for the year	12,226	26,229
		26,229
Insurance Loan Loss Reserve		

iii) Movement in Insurance Death Benefits Reserve

	31/12/2011 WST (\$)	31/12/2010 WST (\$)
Loan Loss Reserve Jan 1, 11	5,000	
DBI Additional Reserve – 2011	24,000	5,000
Payment made – 2011	14,000	
DBI Reserve 2011	15,000	5,000

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

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

16. OPERATING EXPENSE

	31-Dec-10	31-Dec-11
	WST (\$)	WST (\$)
Operating Expense		
Accident Compensation Board	3,348	3,711
Bank Charges	27,367	22,256
Collection Fees - Delinquent Loans	9,786	-
Communications	73,790	82,262
Depreciation	53,845	39,387
Insurance	6,951	7,489
National Provident Fund	16,072	20,481
Office Expense	24,340	14,969
Other Expenses	27,839	11,289
Printing and Stationeries	43,680	41,756
Professional Services	107,166	117,940
Public Relations	2,213	2,115
Rental Expenses	87,077	85,364
Repairs and Maintenance	21,358	39,508
Salaries and Wages	583,568	593,630
Taxes and Fees	520	6,114
Training	7,583	11,755
Transportation	83,797	109,081
Travel	<u>41,996</u>	<u>60,229</u>
Operating Expenditures Sub-Total	<u>1,222,295</u>	<u>1,269,334</u>

17. NON OPERATING REVENUES

Grants

A grant from FDC amounting to WST\$2,270 was received in June 2011 to conduct a survey on Renewable Energy and Energy efficient product awareness in Samoa.

Grants including donation from local partners for the annual SPBD awards was also recorded as part of other income

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	31-Dec-11	31-Dec-10
	WST (\$)	WST (\$)
Grant - including donations for the Annual Awards	10,050	124,681
TA Grant EC 2009/228-375 - SPM		109,890
UNDP Cash For Work Grant		28,850
The BodyShop Australia/Wise Foundation		76,749
TVLLC-IFC		112,870
FDC	2,270	
Miscellaneous Income	(62)	
Foreign Exchange Loss	(85,213)	
Gain from Disposal of Fixed Assets	18,000	
Total Non Operating Revenue as per P & L	(54,955)	453,040

Miscellaneous Income

A small negative amount of miscellaneous income arose from \$100 overstated by the bank, and was not reversed in 2011 plus small surpluses of cents from daily banking. The overstated amount will be reversed in 2012.

Gain from Disposal of Assets

One vehicle was disposed in 2011 after it was fully depreciated, and gain received from disposal is recognised in the Income statement. Hence the original cost of vehicle valued \$45,000 has been written off at 31 December 2011, therefore reduced Cost of Fixed Assets and Accumulated Depreciation.

18. NON-OPERATING EXPENSES

Non-operating expenses are cost incurred as part of SPBD's social mission and commitment to recognize the success of SPBD clients (Annual Businesswoman Award) and to build the capacity of clients in running their business (Inspiration Scheme in partnership with The Body shop/Wise Foundation)

	31-Dec-10	31-Dec-11
	WST (\$)	WST (\$)
Annual Events - Womens Award	78,832	32,538
TA Grant EC 2009/228-375-SPM	18,255	
The Bodyshop Australia/Wise Foundation	7,000	4,010
Tsunami Relief Effort/UNDP Cash for Work	102,278	
Total Non-Operating Expenses as per P & L	114,365	36,548

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

19. OPERATING LEASE COMMITMENTS

The minimum annual lease payments required under non-cancellable leases through to their expiry are as follows:

	2011 WST \$
Less than one year	44,160
One to five years	-
Later than five years	-
	<u>44,160</u>

20. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's principal financial liabilities comprise borrowings and payables. The main purpose of these financial liabilities is to raise finance for Company operations. The Company has financial assets which mainly comprise cash and cash equivalents and receivables which are directly from operations. All financial assets are classified as 'loans and receivables' and all financial liabilities are classified as 'held at amortised cost'.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

a) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

The Company has incurred significant amount of indebtedness and evaluates its ability to meet these obligations on an ongoing basis. Based on these evaluations the Company devises strategies to manage liquidity risk including maintaining a sufficient undrawn borrowing facilities to fund liquidity needs. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of subordinated debt, bank overdraft facilities and borrowings to fund liquidity needs. The Company's liquidity management process includes:

- i) Maintaining a liquidity reserve in the form of cash and credit lines to ensure the solvency and financial flexibility at all times. For this purpose, the Company has net cash balances of \$1.81 million tala at 31 March 2011.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

- ii) Managing the concentration and profile of the Company's debt maturities. Refer to the table below for summary of the financial liability maturity profile at 31 December 2011 based on contractual undiscounted payments:

	Within 1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Borrowings	455,013	145,000	5,079,761		5,679,774
Creditors			155,431		155,431
Total financial liabilities	455,013	145,000	5,235,192		5,835,205

b) Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis.

i) Currency risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risks in connection with scheduled payments in currencies that are not their functional currencies. The payments relate mainly to overseas borrowings. The Company's income statement and statement of financial position can be affected materially by movements in the exchange rates between the US dollar, the Euro and the Samoa tala. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company manages its foreign exchange risk by ensuring that net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

Foreign currency sensitivity

The sensitivity analysis below discloses the impact on profit before taxation and equity from changes in the exchange rates of the Tala against the US dollar and the Euro to which the Company has significant exposure.

At 31 December 2011, if the Tala has strengthened/weakened by 10% against the US dollar and the Euro with all other variables held constant, profit before taxation for the year would have been \$85,214 higher, mainly as a result of foreign exchange losses on translation of non Tala denominated borrowings. There would be no impact on other components of equity as the Company has no non-Tala denominated non-monetary assets classified as available for sale.

ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The company's interest rate risk policy requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. At 31 December 2011, 41.00% of the interest bearing liabilities were denominated in US dollars and Euros.

c) Credit risk

Credit risk arises mainly from micro-credit loan provided to the Customers of SPBD. This can be described as potential loss arising from the failure of a counter party to perform as contractual agreement with the SPBD. The failure may result unwillingness of a counter party or decline in his/her financial condition in adverse environment. Therefore, SPBD's credit risk management activities have been designed to address all these issues.

SPBD Center Managers and the Team Leader have the proper introduction to the village chief before a new center is opened. All interested women have to undergo a 6 session training to know about SPBD and the financial services offered. Potential clients must attend all sessions and has to undergo the final test to check their understanding of the SPBD Program. All potential clients must adhere to the five point decisions that SPBD requires:

- They must be willing to start or operate a business/economic activity
- They must be willing to attend the weekly meeting
- They must be willing to pay the weekly payment
- They must be willing to form a group and
- They must abide by the group guarantee and group rules.

All loan applications must be endorsed by the Center Chief and the Center Secretary. The Center Manager evaluates the loan application and submit to their Team Leader for endorsement. The Back-office checks the completeness and validity of the application and submits the loan application to the General Manager for approval. Once a loan has been approved a check for disbursement is prepared. During the disbursement clients are interviewed individually to check their identification, revalidate the information provided on the loan application and verify that the client fully understand the terms and condition of the loan

Please see attach Annex A, B, and C for the Loan Process Flow Chart

Refer to the section on "Portfolio Details" for an analysis of the ageing of the micro-credit loans provided to SPBD customers.

21. Events after statement of financial position date

There were no significant events after the statement of financial position date.

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

PORTFOLIO DESCRIPTION REPORT

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. Minimum first loan sizes are ST\$500 and ST\$300 respectively. Both loans are amortized in weekly 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 2011

Loan Type	# of Loans New	Principal Amount	Amount as % of Total Portfolio
Group loans (New)	2,117	2,117,000	25%
Group loans (Existing)	3,789	6,379,680	74%
Staff loans	51	72,012	1%
Total	5,957	8,568,692	100%
Ave loan Size at disbursement		<u>\$ 1,438</u>	

Loans Disbursed during 2010

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

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

PORTFOLIO QUALITY

SPBD loans are 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 only offers unsecured loans, we rely on good clients and projects selection as a primary tool to ensure portfolio quality is good. 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.

Loan Types	# of Accounts	31-Dec-11			31-Dec-10		
		Outstanding Principal Balance	PAR > 30 Amount WST\$	PAR > 30 Days (%)	Outstanding Principal Balance	PAR Amount WST\$	PAR > 30 Days (%)
Group Loans							
Current	5,504	4,497,026			3,902,233		
1-4 weeks late (<30 days)	207	140,332			98,853		
5-8 weeks late (30 to 60 days)	33	16,439	16,439	0.35%	26,403	26,403	0.65%
9-12 weeks late (60 to 90days)	26	13,899	13,899	0.29%	5,439	5,439	0.13%
13-16 weeks late (90 to 120 days)	2	1,315	1,315	0.03%	4,597	4,597	0.11%
17-20 weeks late (120 to 140 days)	13	4,055	4,055	0.09%	3,017	3,017	0.07%
over 21 weeks late (over 150 days)	84	41,000	41,000	0.87%	2,760	2,760	0.07%
Sub-total	5,869	4,714,066	76,708	1.63%	4,043,302	42,216	1.04%
Restructured Loan (Calamity)		-	-	0.00%	2,771		0.00%
Staff Loans							
Current	92	96,643			84,824		
over 4 weeks in arrears		2,771	2,771	2.79%	16,471	16,471	16.26%
Grand Total	5,961	4,813,480	79,479	1.65%	4,147,368	58,687	1.42%

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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. A significant portion of operation staff compensation is directly linked to the quality of loan portfolio under his/her management. Parallel to these efforts, SPBD provisions to ensure that adequate reserves are maintained for potential losses as outlined under SPBD Loan Loss Provisioning and Write-off Policies outlined in note A above.

Loan Accounts Outstanding

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

	31/12/2011	31/12/2010
Number of outstanding loan accounts	5,961	5,279

Savings Accounts

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

	31/12/2011	31/12/2010
Number of savings accounts	12,730	11,034

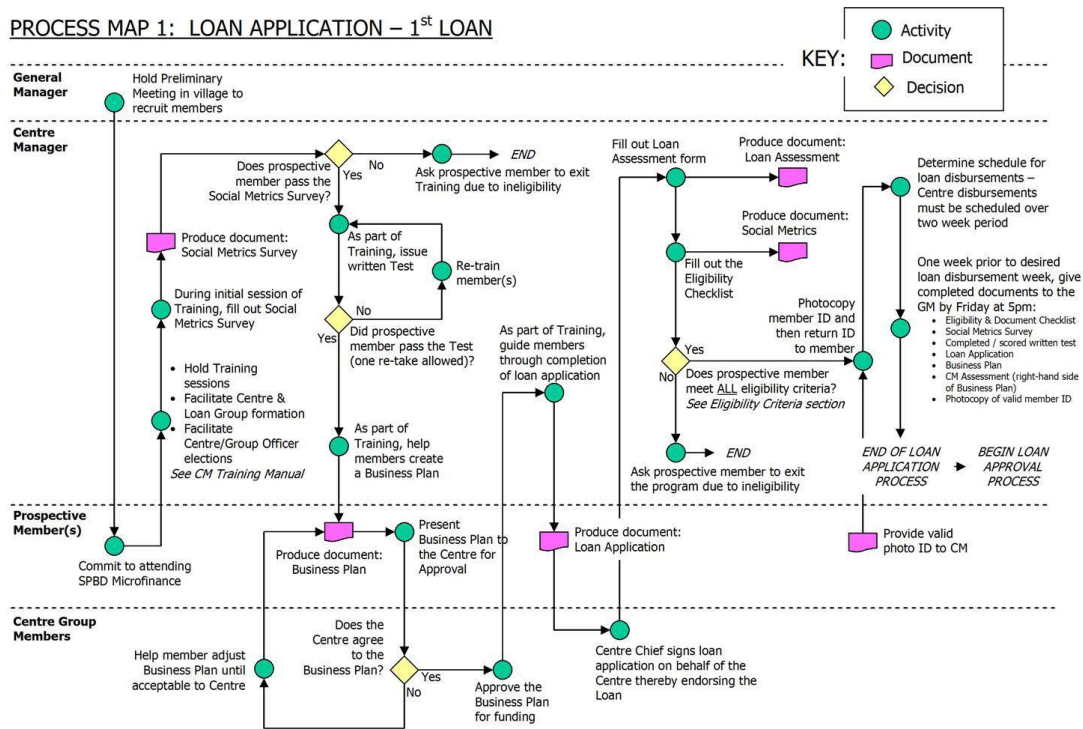
Interest Accrual on Late Loans

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

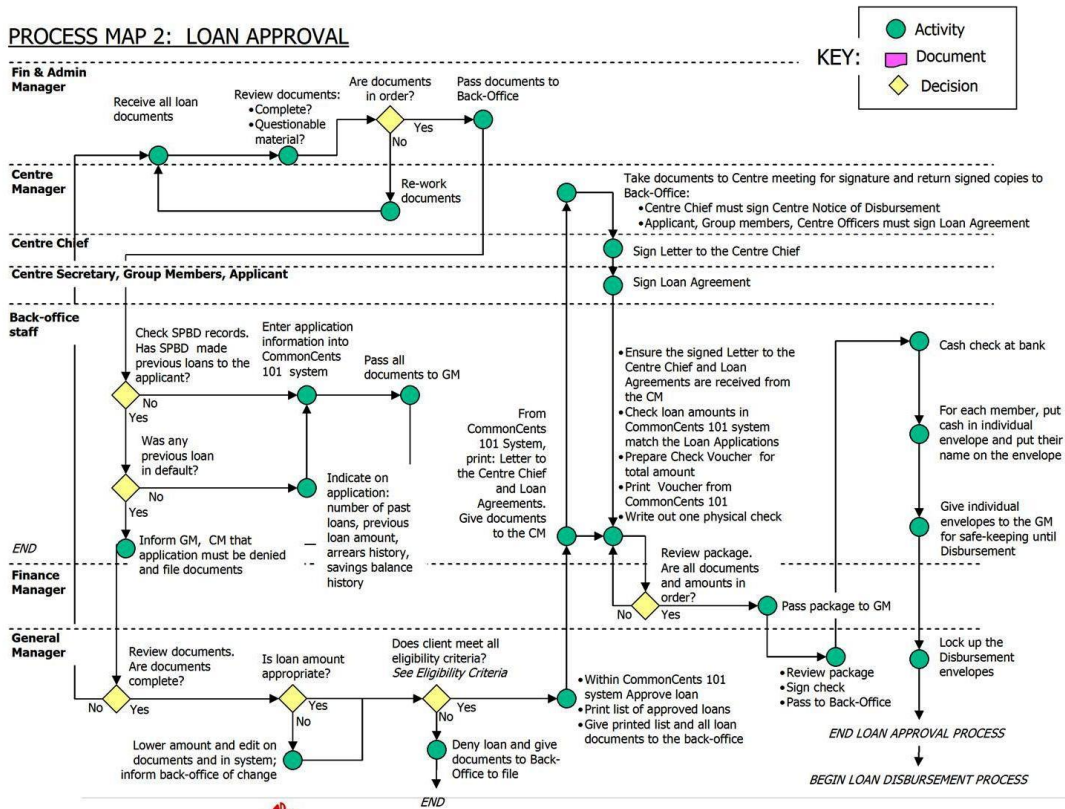
**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

Annex A

PROCESS MAP 1: LOAN APPLICATION – 1st LOAN



PROCESS MAP 2: LOAN APPROVAL



**SPBD MICROFINANCE (SAMOA), LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011**

PROCESS MAP 3: LOAN DISBURSEMENT

