



SPBD MICROFINANCE (SAMOA) LTD.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

**SPBD MICROFINANCE (SAMOA), LTD.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
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**SPBD MICROFINANCE (SAMOA), LTD.
STATEMENT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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 2012.

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 2012 are set out in the income statement. SPBD made a pre-tax profit of WST \$436,290 for the year.

THE BOARD OF DIRECTORS

The members of the BOD during the period are:

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

Nigel Burr resigned in July 2012, due to his health condition.

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 has changed in 2013 to 1st Floor A1.3, NPF Plaza, Savalalo, 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 2012**

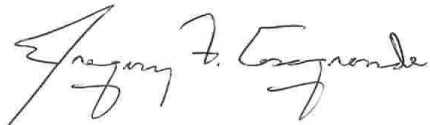
RESPONSIBILITIES OF THE BOD IN RESPECT OF THE FINANCIAL STATEMENTS

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 2012, 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

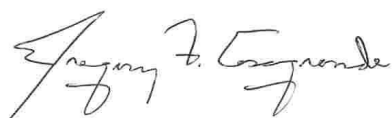
Chairman

Date: 31 March, 2013

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
SPBD MICROFINANCE (SAMOA), LTD.**

SPBD MICROFINANCE (SAMOA), LTD.
BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	2011 WST (\$)	2012 WST (\$)
ASSETS			
Current assets			
Cash on hand and at bank	(4)	1,813,740	1,791,236
Loans receivables	(5)	4,794,945	5,305,327
Other receivables	(6)	169,978	381,657
Total current assets		<u>6,778,663</u>	<u>7,478,220</u>
Other current assets			
Goodwill	(7)	979,183	979,183
Total other current assets		<u>979,183</u>	<u>979,183</u>
Non-current assets			
Property and equipment	(8)	157,823	151,611
Total non-current assets		<u>157,823</u>	<u>151,611</u>
TOTAL ASSETS		<u>7,915,669</u>	<u>8,609,014</u>
LIABILITIES, EQUITY AND RESERVES			
Current liabilities			
Other creditors and accruals	(9)	140,431	368,886
Reserve for DBI	(10)	15,000	20,000
Member savings deposits	(11)	650,395	742,434
Total current liabilities		<u>805,825</u>	<u>1,131,320</u>
Non-current Liabilities			
Borrowings	(12)	5,835,205	5,923,161
Total non-current liabilities		<u>5,835,205</u>	<u>5,923,161</u>
Equity and reserves			
Paid-in-Capital	(13)	201,044	303,972
Retained Earnings		571,923	736,459
Subordinated debt	(14)	501,672	514,102
Total equity and reserves		<u>1,274,639</u>	<u>1,554,533</u>
TOTAL LIABILITIES, EQUITY AND RESERVES		<u>7,915,669</u>	<u>8,609,014</u>



 Gregory F. Casagrande
 PRESIDENT

Date: 31 March, 2013

The accompanying notes form an integral part of these financial statements.

**SPBD MICROFINANCE (SAMOA), LTD.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	31-Dec-11 WST (\$)	31-Dec-12 WST (\$)
Financial income			
Interest from Loans		2,125,506	2,336,727
Insurance on Loans		218,109	238,512
Death Benefit Insurance		60,112	71,949
Savings Fees		20,064	16,075
Interest on Bank Accounts and Term Deposits		45,699	24,906
Financial income sub-total		<u>2,469,489</u>	<u>2,688,169</u>
Financial expenditures			
Interest Expenses		233,200	164,847
Interest on Overdraft Facilities		210,469	239,408
Financial expenditures sub-total		<u>443,669</u>	<u>404,255</u>
Net financial income		2,025,820	2,283,914
Loan loss provision	(15)	93,060	125,032
Net financial margin		1,932,760	2,158,882
Operating expense	(16)	1,269,334	1,688,434
Net operating income		663,426	470,448
Non-operating revenue	(17)	(54,955)	66,897
Non-operating expenses	(18)	36,548	101,055
Net profit before income tax		571,923	436,290
Less: Income Tax Provision		-	271,754
		<u>571,923</u>	<u>164,536</u>

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 2012**

Note	Issued and paid up capital \$	Non-dilutive equity \$	Subordinated debt \$	Retained earnings /(losses) \$	Total \$
Balance at 1 January 2012	88,094	112,950	501,672	571,923	1,274,639
Issued during the year		102,928	12,430		115,358
Net profit				164,536	164,536
Balance at 31 December 2012	88,094	215,878	514,102	736,459	1,554,533

SPBD MICROFINANCE (SAMOA), LTD.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	2011	2012
	WST (\$)	WST (\$)
CASHFLOWS FROM OPERATING ACTIVITIES		
Interest Received	2,125,432	2,336,727
Fees Received	326,622	351,981
Interest Paid on Loans	(303,010)	(455,475)
Cash paid to suppliers & employees	(1,303,880)	(1,731,408)
Other receipts	(10,609)	(17,559)
	<u>834,555</u>	<u>484,266</u>
Net cash provided by operating activities		
CASHFLOW FROM INVESTING ACTIVITIES		
Loans Disbursement	(8,568,692)	(9,306,769)
Loans Repayment	7,835,791	8,694,354
Payments for property, plants & equipment	(25,193)	(42,772)
Receipts from disposal of fixed assets	18,000	
	<u>(740,094)</u>	<u>(655,187)</u>
Net cash provided by investing activities		
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	1,949,596	2,660,200
Repayments of long term borrowings	(2,082,647)	(2,687,768)
Members savings	83,444	86,365
Grants during the year	12,320	89,619
	<u>(37,287)</u>	<u>148,416</u>
Net cash provided by financing activities		
NET INCREASE/(DECREASE) IN CASH IN HAND AND IN BANKS	<u>57,174</u>	<u>(22,505)</u>
OPENING CASH BALANCE/DATE OF TRANSFER	<u>1,756,566</u>	<u>1,813,740</u>
CLOSING CASH BALANCE	<u>1,813,740</u>	<u>1,791,236</u>

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

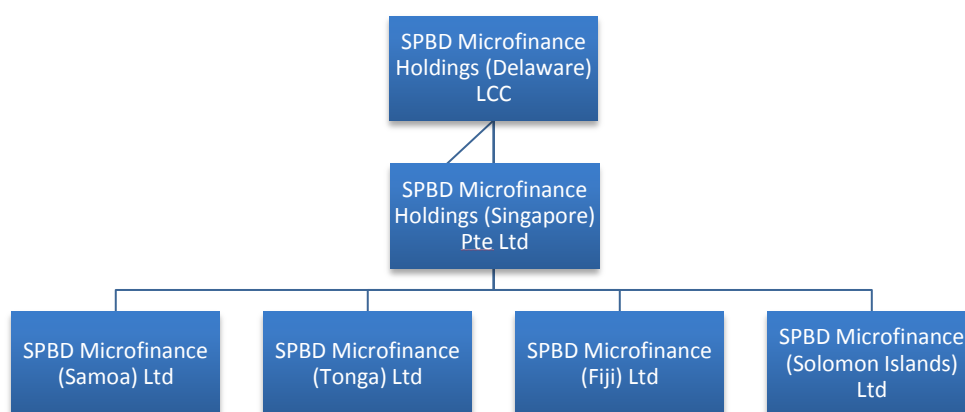
**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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 via purchase agreement. 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 (Singapore) Pte Ltd incorporated in Singapore which is its ultimate parent company. This transformation formally links SPBD Microfinance Ltd (Samoa),(Tonga), (Fiji) and (Solomon Islands), as sister organizations thereby enabling 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.

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 empowers 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 2012, SPBD has 28 staff of whom 9 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 2012

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 2012

b. Functional and presentation currency

Items included in the financial statements of the Company 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-12
NZD/WST	0.5396	0.5243
USD/WST	0.4161	0.4299
EUR/WST	0.3152	0.3208

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.

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.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

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.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 company is exempt from VAGST. The company however, is allowed to collect VAGST on rental income and claim VAGST on maintenance and other related costs of the building.

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.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

m. Accounts payable

Accounts payables are recognised when the company 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 Company 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 Company 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.

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.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 Company'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 second year of operation for the Company and the 2011 comparative figures have been disclosed for comparison.

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 company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

4. CASH AND BANK BALANCES

	31-Dec-11	31-Dec-12
	WST (\$)	WST (\$)
Cash on hand		
Petty Cash	707	707
Savaii Impress	1,500	-
Sub-Total	2,207	707
Bank balances – Unrestricted		
Euros	2,087	70,024
United States dollars	62,207	20,736
Samoan tala	84,132	-
Sub-Total	148,426	90,760
Bank balances – Restricted to Members Savings		
Samoan tala term deposits	271,355	280,404
Samoan tala current account	210,834	261,231
Sub-Total	482,189	541,635
Balance balances – Restricted for security for overdraft facilities		
Euro Term Deposit (CreSud Collateral and OD Facility)	116,102	131,733
USD Term Deposit (OD Facility)	141,194	111,001
Samoan tala Term Deposit (OD facility)	750,600	790,971
USD (DBMF Collateral)	94,366	94,169
SPBD Samoan tala	80,074	30,260
Sub-Total	1,180,918	1,158,134
TOTAL CASH AND BANK BALANCES	1,813,740	1,791,236

5. LOANS RECEIVABLE

Gross Loans Receivable (Since Inception)

	31-Dec-11	31-Dec-12
	WST (\$)	WST (\$)
Total Disbursements (Accumulative Since Inception)	45,820,986	55,127,755
Less: Repayments (Accumulative Since Inception)	(40,290,198)	(48,984,552)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(717,308)	(807,166)
Gross Loans Receivable	4,813,480	5,336,037
Less: Loan Contingency Reserve	(18,535)	(30,710)
	4,794,945	5,305,327

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Types of loans

- i) 52-week Loans 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 payments are made on a weekly basis. Loan amount ranges from a minimum of WST1,000 to WST6,000. New client members may borrow from WST500 to ST 1,000.
- ii) 17-week Loans 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	\$93,386	3 to 24 months	Current

The above balance of \$93,386 for Related Party transactions is included in the Gross loan receivable of WST 5,336,037 as at 31 December 2012.

6. OTHER RECEIVABLES

OTHER RECEIVABLES	31-Dec-11	31-Dec-12
	\$	\$
Prepaid insurance	3,969	2,768
Others (Deposit/Travel advance)	11,641	11,641
Interest due	26,850	15,348
Employee Receivable	55,938	54,318
Less: Employee Receivable Provisioning	(51,348)	(51,348)
Other Receivable – Debit Memo – 2012		348,930
Other Receivables – 2011 Refer note 13 Capital	122,927	
	169,978	381,657

Debit Memo is used by most members to make weekly repayments or to pay off a loan, without using cash. The above amount is 2012 total debit memo, and it is a direct debit into Savings Account, which requires to be reimbursed.

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 2012**

8. PROPERTY AND EQUIPMENT

	Office Equipment and Computers	Furniture & Fittings and Leasehold Improvements	Motor Vehicles	Total
<i>Gross carrying amount</i>				
Balance at 1 January 2012	255,969	51,124	578,650	885,743
Additions	1,752	1,820	39,200	42,772
Disposals				
Balance at 31 December 2012	<u>257,720</u>	<u>52,944</u>	<u>617,850</u>	<u>928,515</u>
<i>Accumulated depreciation</i>				
Balance at 1 January 2012	206,408	47,070	474,442	727,920
Depreciation for the year	20,221	1,466	27,378	49,064
Disposals				
Balance at 31 December 2012	<u>226,629</u>	<u>48,535</u>	<u>501,740</u>	<u>776,904</u>
Net Book Value 2012	<u>31,092</u>	<u>4,409</u>	<u>119,590</u>	<u>151,611</u>

One vehicle was bought in 2012 to replace the written off vehicle in 2011, therefore increased Cost of Fixed Assets.

9. OTHER CREDITORS AND ACCRUALS

	31-Dec-2011 WST (\$)	31-Dec-2012 WST (\$)
Interest Payable	88,168	23,248
Accrued expenses and other payables	14,815	41,105
Income Tax Payable		271,754
Unearned Insurance (DBI)	37,447	32,779
Total	<u>140,431</u>	<u>368,886</u>

The Income Tax Payable detail is as follow. The provisioning in 2011 was deferred until we receive an advice from the Ministry of Revenue if income tax could be waived. For 2012, we need to make 2 provisions, for 2011 and 2012 as per table below.

Income Tax Payable – 2011	154,419
Income Tax Payable – 2012	117,355
Total as per above	<u>271,754</u>

SPBD MICROFINANCE (SAMOA), LTD.
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10. RESERVE FOR DEATH BENEFIT INSURANCE

The reserve is calculated based on 2012 number of members passed away, to ensure we provision enough to cover for 2013 DBI.

		31-Dec-12	31-Dec-11
		WST (\$)	WST (\$)
DBI Reserve	38,000		
Less: Payment made in 2012 re: claims	(18,000)	20,000	15,000

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-12	31-Dec-11
	WST (\$)	WST (\$)
Total insurance income	63,440	66,940
Less: Earned insurance premiums	30,661	29,493
Total unearned insurance as per above	32,779	37,447

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-12	31-Dec-11
	WST (\$)	WST (\$)
WESTPAC	541,635	483,689
ANZ	200,799	166,706
Total	742,434	650,395

**SPBD MICROFINANCE (SAMOA), LTD.
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12. BORROWINGS

	Note	31-Dec-11 WST (\$)	31-Dec-12 WST (\$)
<i>Unsecured soft term loans:</i>			
Jasmine Charitable Trust	(i)	490,000	-
Kiva Micro funds	(ii)	304,851	900,057
David Adams	(iii)	9,613	9,305
Whole Planet Finance	(iv)	435,525	775,815
OikoCredit	(v)	566,523	333,965
Cresud	(vi)	431,472	37,406
DBMF	(viii)	96,131	93,045
MicroDreams	(ix)	1,261,307	1,014,143
<i>Secured overdraft borrowing facilities:</i>			
Westpac Bank Samoa	(x)	1,032,058	28,176
ANZ Bank	(xi)	1,011,076	2,671,329
SCB	(xii)	196,649	59,920
		5,835,205	5,923,161

The above borrowings are analyzed as follows:

a) By currency

Currency	31 Dec-11 WST (\$)	31-Dec-12 WST (\$)
Samoan Tala	3,465,308	3,735,240
US Dollar	1,371,902	1,816,550
Euro	997,995	371,371
Total	5,835,205	5,923,161

SPBD MICROFINANCE (SAMOA), LTD.
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The table below summaries all our funders, it's maturity dates, interest rates, and outs standing balances both in foreign and local currencies, after incorporating new funding received in 2012, and total payments that have been made in 2012 against each loans.

Unsecured Soft Term Loans	Maturity Dates	Foreign Currencies	Interest Rate	Opening Balance 1/01/2012	Payment Made	Funds Received	Balance 31/12/2012	Samoan Tala Equivalent
Jasmine Trust	31/12/2012	WST	5%	490,000	490,000	-	-	
KIVA Microfunds	on-going	USD	0%	126,849	18,739	278,825	386,934	900,057
David Adams	31/12/2015	USD	0%	4,000		-	4,000	9,305
Whole Planet Finance	31/12/2015	WST	0%	435,525		340,290	775,815	775,815
Oikocredit	4/02/2014	EURO	9.25%	178,568	71,432	-	107,136	333,965
Cresud	31/03/2013	EURO	9%	36,000	24,000		12,000	37,406
	30/09/2012	EURO	9%	100,000	100,000	-	-	-
DBMF	24/08/2013	USD	5%	40,000		-	40,000	93,045
MicroDreams	31/12/2015	USD	7%	50,000	50,000		-	-
	30/09/2014	USD	7%	200,000	-		200,000	465,225
	31/12/2014	WST	6%	300,000	100,000		200,000	200,000
	31/12/2015	USD	7%	150,000			150,000	348,918
Total Soft Loans								3,163,736
Secured Overdraft Borrowing Facilities	Maturity Dates	Foreign Currencies	Interest Rate	Credit Limit	Credit Limit Not Utilised	Type of Security	Amount of Security	Credit Limit Utilised
WESTPAC Bank – 52213	31/12/2012	WST	9.75%			Nil	Nil	(15,035)
WESTPAC Bank – 119731	on-going	WST	9.75%	46,000	2,789	Standby LOC	GBP 10,000	43,211
ANZ Bank (Samoa) Ltd	on-going	WST	10.5%	3,000,000	328,671	Term Deposit	1,000,000	2,671,329
Samoa Commercial Bank	on-going	WST	10.50%	200,000	140,080	Term Deposit	USD\$40,000	59,920
Total Secured Overdraft								2,759,425
Total Borrowings								5,923,161

**SPBD MICROFINANCE (SAMOA), LTD.
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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	31-Dec-12
	WST (\$)	WST (\$)
Equity Investment from SPBD Microfinance Holdings (Singapore)Pte Ltd	88,094	201,044
Non-dilutive equity grant from Transformative Ventures LLC	112,950	102,928
Total	201,044	303,972

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	251,250			251,250	479,210
GFC 2	USD	0%	31 Dec 12	15,000			15,000	34,892
Total								514,102

15. LOAN LOSS PROVISION

a) Summary

	31-Dec-11	31-Dec-12
	WST (\$)	WST (\$)
Loan loss provision	56,834	86,372
Loan Insurance loss provision	12,226	15,660
Death Benefit Insurance Provision	24,000	23,000
Total	93,060	125,032

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
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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%	206,457	10,323
5 weeks to 8 weeks late (30 to 60 days)	10%	7,913	791
9 weeks to 12 weeks late (60 to 90)	25%	2,890	723
13 weeks to 16 weeks late (90 to 120)	50%	3,503	1,751
17 weeks to 20 weeks late (120 to 140)	75%		
21 weeks or more (150 + days)	100%	17,139	17,139
TOTAL PROVISIONING AS OF 31 DECEMBER 2012			30,727

SPBD provides a 100% provision for loan losses for loans overdue for 21 weeks or more. The above calculation is the net result after 2012 writing off loans have been taken off. The additional provisioning amount WST\$55,645 was made in 2012 to cover 2012 approved written off loans.

c) Write-offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	19	15,660	0.29%
Death Benefit Insurance Losses	0	-	0.00%
Loans Written Off – 2012	143	74,180	1.39%
Total	159	89,840	1.68%

There were 19 SPBD members passed away in 2012, and were written off loan outstanding as per Loan Insurance policy.

The decision as to which loans to write off in 2012 was made taking into account the age of the outstanding loan compared to the cost effectiveness of management's own evaluation of the likelihood of recovery. Loan write-off requires an approval by the President.

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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

	2011 WST (\$)	2012 WST (\$)
Loan Loss Reserve – January 1	16,265	18,535
Plus: Additional reserve	69,060	102,015
Loan Loss Expense for the Year (RE)	12,226	15,660
Loans written off	54,564	74,180
Loan Loss Reserve 31 December	18,535	30,710

ii) Movement in Insurance Loan Loss Reserve

	2011 WST (\$)	2012 WST (\$)
Loan Loss Reserve Jan 1, 12		15,660
Loan Loss expense for the year		15,660
	12,226	
Insurance Loan Loss Reserve	12,226	Nil

iii) Movement in Insurance Death Benefits Reserve

	31/12/2011 WST (\$)	31/12/2012 WST (\$)
Loan Loss Reserve Jan 1	5,000	15,000
DBI Additional Reserve	24,000	23,000
Payment made	14,000	18,000
DBI Reserve 2012	15,000	20,000

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 2012**

16. OPERATING EXPENSE

	31-Dec-11	31-Dec-12
Operating Expense	WST (\$)	WST (\$)
Accident Compensation Board	3,711	5,237
Bank Charges	22,256	19,804
Guarantee Fees	-	7,808
Communications	82,262	89,239
Depreciation	39,387	49,064
Insurance	7,489	9,446
National Provident Fund	20,481	23,739
Office Expense	14,969	12,842
Other Expenses	11,289	8,821
Printing and Stationeries	41,756	53,289
Professional Services	117,940	165,413
Public Relations	2,115	1,740
Rental Expenses	85,364	105,245
Repairs and Maintenance	39,508	55,208
Salaries and Wages	593,630	892,118
Taxes and Fees	6,114	4,833
Training	11,755	3,758
Transportation	109,081	135,751
Travel	60,229	45,078
Operating Expenditures Sub-Total	<u>1,269,334</u>	<u>1,688,434</u>

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

17. NON OPERATING REVENUES

Grants

A second grant from EU amounting to WST\$83,069 was received in 2012 for Staff Development Training and other related trainings as per the agreement. SPBD also collected WST\$6,550 donation from various sponsors for Business Women of the Year Award 2012, which has been postponed to March 8, 2013.

	31-Dec-11 WST (\$)	31-Dec-12 WST (\$)
Grant - including donations for the Annual Awards	10,050	89,619
FDC	2,270	
Miscellaneous Income	(62)	540
Foreign Exchange Loss	(85,213)	(23,262)
Gain from Disposal of Fixed Assets	18,000	
Total Non Operating Revenue as per P & L	(54,955)	66,897

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). In October 2012, the Financial Literacy Program was launched for a pilot test in Samoa, and the full roll out will be done in 2013. All costs related to this new initiative/program including consultants costs were all covered under the non –operating expenses.

	31-Dec-11 WST (\$)	31-Dec-12 WST (\$)
Annual Events - Womens Award	32,538	11,274
The Bodyshop Australia/Wise Foundation	4,010	
Financial Literacy Project/Training		89,781
Total Non-Operating Expenses as per P & L	36,548	101,055

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
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19. OPERATING LEASE COMMITMENTS

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

	2011	2012
	WST \$	WST \$
Less than one year	44,160	74,854
	44,160	74,854

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 and 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 \$1.78 million tala at 31 December 2012.
- 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 2012 based on contractual undiscounted payments:

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	Within 1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Borrowings	67,500	650,999	5,204,662		5,923,161
Creditors		365,638	23,248		388,886
Total financial liabilities	67,500	1,016,037	5,227,910		6,312,047

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 2012, 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 \$23,262 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.

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 2012, 36.94% of the interests bearing liabilities were denominated in US dollars and Euros.

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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

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
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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 2012

Loan Type	# of Loans New	Principal Amount	Amount as % of Total Portfolio
Group loans (New)	2,341	2,126,550	23%
Group loans (Existing)	4,102	7,100,849	76%
Staff loans	44	79,370	1%
Total	6,487	9,306,769	100%

Ave loan Size at disbursement \$ 1,434

Loans Disbursed during 2011

Loan Type	# of Loans	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 \$ 1,438

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.

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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-12			31-Dec-11		
		Outstanding Principal Balance	PAR > 30 Amount WST\$	PAR > 30 Days (%)	Outstanding Principal Balance	PAR Amount WST\$	PAR > 30 Days (%)
Group Loans							
Current	5,827	5,004,750			4,497,026		
1-4 weeks late (<30 days)	232	206,457			140,332		
5-8 weeks late (30 to 60 days)	48	7,913	7,913	0.14%	16,439	16,439	0.35%
9-12 weeks late (60 to 90days)	17	2,890	2,890	0.05%	13,899	13,899	0.29%
13-16 weeks late (90 to 120 days)	2	3,503	3,503	0.06%	1,315	1,315	0.33%
17-20 weeks late (120 to 140 days)				0.00%	4,055	4,055	0.09%
over 21 weeks late (over 150 days)	356	17,139	17,139	0.31%	41,000	41,000	0.87%
Sub-total	6,482	5,242,652	31,445	0.58%	4,043,302	76,708	1.63%
Staff Loans							
Current		93,385			96,643		
over 4 weeks in arrears					16,471	16,471	16.26%
Grand Total	6,482	5,336,037	31,445	0.58%	4,147,368	58,687	1.42%

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

	31-Dec-11	31-Dec-12
Number of outstanding loan accounts	5,961	6,482

Savings Accounts

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

	31-Dec-11	31-Dec-12
Number of savings accounts	12,730	14,401

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.