

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (FIJI) (LTD)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) (LTD)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of the company as at 31 December 2011, the related statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended on that date and report as follows:

Directors

The names of the directors in office at the date of this report are:

Gregory F Casagrande
Peter Lowing

Principal Activities

The principal activity of the company during the year was to provide financial assistance to economically disadvantaged people particularly women who cannot easily access savings and loan products from traditional banks.

There were no significant changes in the nature of this activity during the financial year.

Results

The loss after income tax for the year was \$713,198 (2010: \$365,163).

Dividends

The directors recommend that no amounts be paid by way of dividends for the year ended 31 December 2011.

Reserves

It is proposed that no amounts be transferred to reserves within the meaning of the Seventh Schedule of the Companies Act, 1983.

Going Concern Basis of Accounting

Notwithstanding the company's net liability position as at balance date and accumulated losses, the financial statements have been prepared on a going concern basis. The directors consider the application of the going concern principle to be appropriate in the preparation of the financial statements as the directors anticipate the founder of the company will continue to provide necessary financial support to enable the company to meet its obligations as and when they fall due.

Value of Assets

Prior to the completion of the company's financial statements, the directors took reasonable steps to ascertain whether any assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the company. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to assets in the company's financial statements misleading.

DIRECTORS' REPORT [CONT'D]**Loan Loss Allowance**

Prior to the completion of the company's financial statements, the directors took reasonable steps to ascertain that action has been taken in relation to writing off of loan loss and the making of allowance for loan loss. In the opinion of the directors and the management, adequate allowance has been made for loan loss.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for loan loss, or the allowance for loan loss in the company, inadequate to any substantial extent.

Unusual Transactions

In the opinion of the directors, the results of the operations of the company during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the company in the current financial year.

Significant Event during the Year

During July 2011, the company increased its authorised capital to 4,000,000 shares valued of \$0.25 each by way of a special resolution. Accordingly, issued and paid up shares of 250,000 of \$1.00 each were split into 1,000,000 shares of \$0.25 each.

Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Other Circumstances

As at the date of this report:

- (i) no charge on the assets of the company has been given since the end of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the company could become liable; and
- (iii) no contingent liabilities or other liabilities of the company has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the company's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the company misleading or inappropriate.

DIRECTORS' REPORT [CONT'D]

Directors' Benefits

No director has received or become entitled to receive a benefit (other than those disclosed in the financial statements) by reason of a contract made by the company or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

For and on behalf of the board and in accordance with a resolution of the directors.

Dated this 8 day of JUNE 2012.


.....
Director


.....
Director

STATEMENT BY DIRECTORS

In accordance with a resolution of the board of directors of South Pacific Business Development Microfinance (Fiji) (Ltd), we state that in the opinion of the directors:

- [i] the accompanying statement of comprehensive income of the company is drawn up so as to give a true and fair view of the results of the company for the year ended 31 December 2011;
- [ii] the accompanying statement of changes in equity of the company is drawn up so as to give a true and fair view of the changes in equity of the company for the year ended 31 December 2011;
- [iii] the accompanying statement of financial position of the company is drawn up so as to give a true and fair view of the state of affairs of the company as at 31 December 2011;
- [iv] the accompanying statement of cash flow of the company is drawn up so as to give a true and fair view of the cash flows of the company for the year ended 31 December 2011;
- [v] the financial statements have been prepared in accordance with International Financial Reporting Standards;
- [vi] at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due; and
- [vii] all related party transactions have been adequately recorded in the books of the company.

For and on behalf of the board and in accordance with a resolution of the directors.

Dated this 8 day of JUNE 2012.


.....
Director


.....
Director

INDEPENDENT AUDITORS' REPORT**To the members of South Pacific Business Development Microfinance (Fiji) (Ltd)****Report on the Financial Statements**

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We have audited the accompanying financial statements of South Pacific Business Development Microfinance (Fiji) (Ltd), which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 8 to 33.

The statement of comprehensive income and the statement of financial position together with the notes thereon have been drawn up in conformity with the Disclosure Guidelines for Financial Reporting by Microfinance Institutions.

Director's and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, in conformity with the Disclosure Guidelines for Financial Reporting by Microfinance Institutions and the requirements of the Companies Act, 1983. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are 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 these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT [CONT'D]

To the members of South Pacific Business Development Microfinance (Fiji) (Ltd)

Opinion

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In our opinion:

- (a) proper books of account have been kept by the company, so far as it appears from our examination of those books; and
- (b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards, and in conformity with the Disclosure Guidelines for Financial Reporting by Microfinance Institutions:
 - i) are in agreement with the books of account;
 - ii) to the best of our information and according to the explanations given to us:
 - (a) give a true and fair view of the state of affairs of the company as at 31 December 2011 and of the results, cash flows and changes in shareholders' equity of the company for the year ended on that date; and
 - (b) give the information required by the Companies Act, 1983 in the manner so required.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

SUVA, FIJI
8 JUNE 2012


CHARTERED ACCOUNTANTS

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) (LTD)
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2011

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	Notes	Year ended 31 December 2011	Period ended 31 December 2010
Financial Income			
Development fee		\$ 45,194	8,240
Interest on loans		405,449	11,231
Loan insurance fee		56,250	10,300
Life insurance fee		19,564	-
Loan restructure fee		5,299	-
Resignation fee		2,710	-
Savings withdrawal fee		14,698	76
Total financial income		549,164	29,847
Financial Expenses			
Interest on borrowed funds		(80,462)	(4,764)
Interest on savings deposits		(2,444)	-
Loan insurance loss		(7,001)	(1,250)
Loan loss allowance		(66,565)	-
Total financial expenses		(156,472)	(6,014)
Net financial income		392,692	23,833
Other operating revenue	5	36,128	2,186
Total operating income		428,820	26,019
Administration and operating expenses		(1,155,768)	(391,182)
Operating Loss for the year before income tax	7	(726,948)	(365,163)
Non operating revenue			
Donations	6	13,750	-
Income tax expense	8	-	-
Loss for the year		(713,198)	(365,163)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		\$ (713,198)	(365,163)

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 33.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) (LTD)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

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	Issued Capital	Accumulated Loss	Total
	\$	\$	\$
Issue of share capital	250,000	-	250,000
Loss for the period	-	(365,163)	(365,163)
Other comprehensive income for the period	-	-	-
Total comprehensive income/(loss) for the period	-	(365,163)	(365,163)
Balance as at 31 December 2010	250,000	(365,163)	(115,163)
Loss for the year	-	(713,198)	(713,198)
Other comprehensive income for the year	-	-	-
Total comprehensive income / (loss) for the year	-	(713,198)	(713,198)
Balance as at 31 December 2011	250,000	(1,078,361)	(828,361)

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 33.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) (LTD)
 STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2011

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash on hand and at bank	9	\$ 659,867	146,918
Loan portfolio outstanding	10	969,299	364,874
Receivables	11	27,562	20,600
Total current assets		1,656,728	532,392
NON-CURRENT ASSETS			
Property, plant and equipment	12	91,647	174,165
Total non-current assets		91,647	174,165
TOTAL ASSETS		1,748,375	706,557
CURRENT LIABILITIES			
Clients' savings deposits	13	245,721	50,481
Payables	14	375,901	266,430
Interest bearing borrowings	15	292,949	-
Total current liabilities		914,571	316,911
NON-CURRENT LIABILITIES			
Interest bearing borrowings	15	1,662,165	504,809
Total non-current liabilities		1,662,165	504,809
TOTAL LIABILITIES		2,576,736	821,720
NET LIABILITIES		(828,361)	(115,163)
SHAREHOLDERS' EQUITY			
Issued capital	16	250,000	250,000
Accumulated loss		(1,078,361)	(365,163)
TOTAL SHAREHOLDERS' EQUITY DEFICIT		\$ (828,361)	(115,163)

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 33.

For and on behalf of the board and in accordance with a resolution of the directors.


 Director


 Director

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) (LTD)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2011

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	2011	2010
	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities		
Interest, development, loan and other fees received	\$ 532,975	29,847
Loans to clients and staff	(2,288,350)	(412,000)
Repayments from clients and staff	1,623,838	47,126
Client savings deposit	192,796	50,481
Payments to suppliers and employees	(997,999)	(142,534)
Interest paid on soft loan	(17,099)	-
Net cash used in operating activities	<u>(953,839)</u>	<u>(427,080)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(27,270)	(127,606)
Proceeds from sale of fixed asset	65,507	-
Net cash used in investing activities	<u>38,237</u>	<u>(127,606)</u>
Cash flows from financing activities		
Proceeds from shareholder	46,105	200,000
Proceeds from term loans	1,382,446	501,604
Net cash provided by financing activities	<u>1,428,551</u>	<u>701,604</u>
Net increase in cash and cash equivalents	512,949	146,918
Cash and cash equivalents at the beginning of the year	<u>146,918</u>	-
Cash and cash equivalents at the end of the year (Note 9)	<u>\$ 659,867</u>	<u>146,918</u>

The statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 33.

NOTE 1. GENERAL INFORMATION

South Pacific Business Development Microfinance (Fiji) (Ltd) (SPBD) is a company incorporated and domiciled in Fiji. The address of its registered office and principal place of business is disclosed in Note 22 to the financial statements.

The principal activities of the company during the year were to provide financial assistance to economically disadvantaged people particularly women who cannot easily access savings and loan products from traditional banks.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the company are stated to assist in a general understanding of these financial statements. The accounting policies adopted are consistent with those of the previous year except as stated otherwise.

(a) Statement of Compliance

The financial statements of the company have been drawn up in accordance with the provisions of the Companies Act 1983 and International Financial Reporting Standards ("IFRS").

The financial statements have also been prepared in accordance with the Disclosure Guidelines for financial reporting of Microfinance Institutions whereby guidelines are voluntary norms recommended by a group of international donors under the Consultative Group to Assist the Poor (CGAP) and by the members of the Social Enterprise Education and Promotion Network (SEEP).

(b) Basis of preparation

The financial statements have been prepared on the basis of historical cost convention, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the financial statements are disclosed in Note 4.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of preparation (Cont'd)

Standards and Amendments issued but not yet effective

The following new standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2012 or later periods, and the company has not early adopted them.

- IFRS 7 (Amendment) - Financial Instruments: Disclosure on Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011).
- IAS 1 (Amendment) - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).
- IFRS 9 (Amendment) - Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 - Disclosures of Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).
- IAS 19 (Revised) - Employee Benefits (effective for annual periods beginning on or after 1 January 2013).

(c) Going Concern Basis of Accounting

Notwithstanding the company's net liability position as at balance date and accumulated losses, the financial statements have been prepared on a going concern basis. The directors consider the application of the going concern principle to be appropriate in the preparation of the financial statements as the directors anticipate the founder of the company will continue to provide necessary financial support to enable the company to meet its obligations as and when they fall due.

(d) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(f) Cash and cash equivalents

For the purpose of statement of cash flow, cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within interest bearing borrowings in current liabilities in the statement of financial position.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Client savings deposits

Client savings deposit is recorded as current liabilities in the statement of financial position.

A savings account is required to be established by client in order for consideration for loan by depositing \$10. When the loan has been processed and approved, 5% of the loan amount is deducted and recorded in the client savings account as compulsory deposit. Client with a current loan balance must have a minimum deposit of 5% of the original loan amount.

Only members of SPBD - formed Centre can open a savings account with the company. Notwithstanding the outstanding loan, the member is required to fully observe members' duties like attending the weekly meetings, approve and guarantee other member's loans.

There is no limit on the amount of money the clients can keep in the savings account. The minimum balance that a client can keep is \$1. However, for members with current loan the minimum balance at any given time should be \$10 plus 5% of the original loan amount.

The company is not a regulated financial intermediary and does not therefore use client deposits for on-lending. Members can withdraw money with prior notice or anytime for emergencies. The company provides monthly saving reports to the Reserve Bank of Fiji. The 5% loan retention can only be withdrawn by a client after the latest loan is fully paid off.

(h) Comparative amounts

Where necessary, comparative figures have been re-grouped to conform with changes in presentation in the current year.

(i) Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are accrued up to the reporting date. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates prevailing at that time.

Annual leave

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Defined contribution plans

Contributions to Fiji National Provident Fund or other superannuation plans are expensed when incurred.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign currency translation

a) Functional and presentation currency

The company operates in Fiji and hence its financial statements are presented in Fiji dollars, which is the company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the Fijian currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(k) Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(l) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessee

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated so as to write off the net cost of property, plant and equipment over its expected useful life.

The principal annual rates employed are as follows:

Leasehold improvements	50% (2 years)
Furniture and fittings	20% (5 years)
Motor vehicles	33% - 50% (3 to 5 years)
Computer equipment & peripherals	33% (3 years)
Office equipment	50% (2 years)
Software & electronics system	33% (3 years)

Profits and losses on disposal of property, plant and equipment are taken into account in determining the results for the year.

(n) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provision is made for the company's liability to employees for annual leave on the basis of statutory or contractual requirements.

(o) Revenue recognition

Revenues are presented as financial income in the statement of comprehensive income which is comprised of income generated from providing financial services to its target clientele. The main sources of financial income are:

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue recognition (Cont'd)

(i) Interest Income from loans receivable

In accordance with the Disclosure Guidelines for financial reporting of Microfinance Institutions, interest income from loan portfolio is recognised using a cash-based method where they are recognised at the time they are received. Hence, if the loan (with the interest) is paid before it is due, then the interest income is recognised at the time of collection, whereas if the loan (with the interest) is in arrears then no interest income is recognised.

(ii) Development fees

The company charges a fee of 2% of principal loan amount to be used to cover the cost of training clients, loan evaluation and monitoring. This fee is deducted from the loan proceeds, and are recognised in the period received.

(iii) Loan Insurance fee

In accordance with the Disclosure Guidelines for financial reporting of Microfinance Institutions, the company charges and with-holds 2% insurance on the principal amount plus interest on the loans issued to the clients as security in case of death of the client before full payment of their loans (applies to group loans only). The loan insurance fee is treated as income as it is not refundable to the client upon payment of the loan and is recognised in the period in which they are received. Commencing 2 December 2011, loan insurance fee was no longer charged to clients. Instead, the Life Insurance fee includes such security for loan in case of death.

(iv) Life Insurance fee

Commencing 2 December 2011, the company entered into an agreement with the Life Insurance Corporation of India (LICI) for a group loan insurance programme named SPBD Life Guardian Programme where qualified SPBD clients and employees are enrolled in the programme. The company charges \$18 per quarter to the programme enrolees as life insurance fee. The company in turn pays a quarterly premium of \$15 to LICI for each enrolee covered and retain \$3 for its administrative costs. The death benefit of each qualified enrolee is \$5,000 (or \$10,000 in case of accidental death). The benefits are given to the beneficiaries of the client after deducting outstanding principal plus interest as applicable.

The life insurance fee is treated as income as it is not refundable to the client and is recognised in the period in which they are received. The premium payments to LICI, in turn, are recognised as expenses in the period in which they are paid to LICI.

(v) Restructure fee

The restructured loans were from clients who had great difficulty in paying off their loans for various reasons but these clients have expressed their intent of paying of their loans based on agreed terms. Restructure fee is determined by small claims tribunal referees. The restructuring of these loans was approved by the President.

(vi) Savings Withdrawal fee

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

(p) Loans Portfolio Outstanding

Loans, net of loan loss allowance and loan insurance loss reserve, include direct financial assistance provided to economically disadvantaged people particularly women who cannot easily access savings and loan products from traditional banks.

They are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for loan loss allowance and loan insurance loss reserve.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Payables

Accounts payables are recognized when the company becomes obliged to make future payments resulting from the receipt of goods and services.

(r) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 3. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, regulatory risk and interest rate risk), credit risk, liquidity risk and capital 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.

Risk management is carried out by executive management. Executive management identifies, evaluates and monitors financial risks in close co-operation with the operating units.

(a) Market risk

i) Foreign exchange risk

The company undertakes transactions denominated in foreign currencies: consequently, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amount of the company's foreign currency denominated monetary liabilities at the end of reporting year are as follows:

US Dollar	F\$	730,132
NZD Dollar	F\$	1,080,380

ii) Foreign currency sensitivity analysis

The company is mainly exposed to the currency of USA and New Zealand.

The following table details the company's sensitivity to a 10% increase and decrease in Fiji dollar against the relevant US dollar and New Zealand dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. If the FJD strengthens/weakens by 10% against the USD and NZD with all other variables held constant, pre-tax profit impact is as follows:

		USD	NZD
- Weaken	F\$	(84,499)	(120,043)
- Strengthen	F\$	63,616	98,216

NOTE 3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

iii) Price risk

The company does not have investments in equity securities and hence is not exposed to equity securities price risk.

iv) Regulatory risk

The company is subject to the provisions of the Microfinance Institutions (Examination and Assessment) Decree 2010 set by the regulatory authority, Reserve Bank of Fiji. Under Section 3 (1) of the Decree, the Reserve Bank may conduct examinations, onsite or otherwise, of any microfinance institution.

v) Interest rate risk

The principal risk to which lending portfolios are exposed to is the risk of the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows of the company.

The objective of interest rate risk control is to minimize these fluctuations in value and net interest income over time, providing secure and stable sustainable net interest earnings in the long term.

As interest rates and yield curves change over time, the company may be exposed to a loss in earnings due to the sensitivity that arises from mismatches in the re-pricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. These mismatches are actively monitored and managed by the company.

(b) Credit Risk

Credit risk is the risk of financial loss to the company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's loans to clients.

As part of its risk control procedures, an assessment of the credit quality of a new client, taking into account its financial position, past experience and other factors, is carried out prior to the credit approval. Individual credit risk limits are then set based on the assessments done. The utilisation of credit limits is regularly monitored. Loans to clients are settled via weekly deductions.

(c) Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial liability. Prudent and careful management of the company's liquidity position is essential in order to ensure that adequate funds are available to meet the company's ongoing financial obligations.

The company manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

NOTE 3. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity Risk (Cont'd)

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Fixed maturity dates						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ Years	
	\$	\$	\$	\$	\$	\$	\$
At 31 December 2011							
Client savings deposit	245,721	-	-	-	-	-	245,721
Payables	375,901	-	-	-	-	-	375,901
Interest bearing borrowings	292,949	938,269	723,896	-	-	-	1,955,114
	914,571	938,269	723,896	-	-	-	2,576,736
At 31 December 2010							
Client savings deposit	50,481	-	-	-	-	-	50,481
Payables	266,430	-	-	-	-	-	266,430
Interest bearing borrowings	-	184,809	-	320,000	-	-	504,809
	316,911	184,809	-	320,000	-	-	821,720

(d) Capital Risk

The company's objectives when managing capital is to safeguard its ability to continue as a going concern in order to provide consistent returns for shareholders to maintain an optimal capital structure to reduce the cost of capital and be in compliance with statutory requirements. In order to maintain the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- (i) To comply with the capital requirements set by the Reserve Bank of Fiji;
- (ii) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders; and
- (iii) To maintain a strong capital base to support the development of the company's business.

Capital adequacy and the use of regulatory capital are monitored by the management of the company.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments in Applying the Company's Accounting Policies

(a) Impairment of Loans

Impairment of loans balances is assessed at an individual as well as on a collective level. A general loan loss allowance is made based on the appraisal carried out at year end and in accordance with the Disclosure Guidelines for financial reporting of Microfinance Institutions.

(b) Impairment of property, plant and equipment

The company assesses whether there are any indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, a reasonable allowance for impairment is made. For the year ended 31 December 2011, no allowance for impairment has been made as the company reasonably believes that no indicators for impairment exist.

NOTE 5. OTHER OPERATING INCOME	Year ended 31 December 2011	Period ended 31 December 2010
Exchange gain – unrealized	\$ -	2,061
Exchange gain - realized	17,541	
Interest from bank	10,986	-
Gain on sale of fixed asset	3,451	-
Miscellaneous income	4,150	125
Total other operating income	36,128	2,186

NOTE 6. NON OPERATING INCOME

Donations (SPBD awards day)	13,750	-
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NOTE 7. LOSS BEFORE INCOME TAX

Loss before income tax has been determined after charging the following expenses:

Auditors' remuneration for:		
- Audit fees	14,000	8,000
- Other services	13,196	4,500
Depreciation	47,732	11,176
Legal fees	1,578	36,319
Loan loss allowance	66,565	-
Insurance loan loss reserve	7,001	-
Management fees	114,485	114,241
Organisational set-up costs	58,210	33,232
Rent	79,500	17,250
Salaries, wages, FNPF and TPAF	340,035	21,128
SPBD grand opening day	17,669	25,059
Overseas traveling	\$ 44,016	52,182

NOTE 8. INCOME TAX	Year ended 31 December 2011	Period ended 31 December 2010
a) Income Tax Expense		
The prima facie tax expense on loss is reconciled to the income tax benefit as follows:		
Loss before income tax	\$ (713,198)	(365,163)
Prima facie tax thereon at 28%	(199,695)	(102,246)
Tax effect of:		
Non-deductible expenses	24,848	16,322
Temporary differences not recognized as deferred tax assets	28,745	1,454
Deferred tax assets on tax losses not recognised	146,102	84,470
Income tax expense	\$ -	-

(b) Benefit of Income Tax Losses not brought to Account

As at 31 December 2011, the company had unconfirmed unrecouped income tax losses of approximately \$788,036 (2010: \$301,680) available to offset against future years' taxable income. The benefit on income tax losses has not been brought to account as realisation is not considered to be probable. The benefit will only be obtained if:

- (i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

NOTE 9. NOTES TO THE CASH FLOW STATEMENT	2011	2010
Cash on hand and at bank		
Petty cash	\$ 1,000	1,000
Savings reserve imprest	1,948	2,000
Vodafone M-Paisa account	47,072	-
Cash at bank	609,847	143,918
Total cash on hand and at bank	\$ 659,867	146,918

Cash and cash equivalents included in the cash flow statement comprise the above statement of financial position amounts.

NOTE 10. LOANS PORTFOLIO OUTSTANDING	2011	2010
Accumulative Since Inception:		
Total loan disbursements	\$ 2,700,350	412,000
Repayments	(1,670,964)	(47,126)
Interest income capitalised to restructured loan	8,180	-
Restructure fee capitalised to restructured loan	5,299	-
Loan insurance loss reserve - write-offs - principal	(3,956)	-
Loan loss allowance - write-offs - principal	(40,508)	-
Gross loans portfolio outstanding (i)	998,401	364,874
Loan loss allowance	(26,057)	-
Loan insurance loss reserve	(3,045)	-
Net loans portfolio outstanding	969,299	364,874
Movement:		
Opening balance	364,874	-
Disbursements	2,288,350	412,000
Repayments	(1,623,838)	(47,126)
Interest income capitalised to restructure loan	8,180	-
Restructure fee capitalised to restructure loan	5,299	-
Loan insurance loss reserve write-offs - principal	(3,956)	-
Loan loss allowance write-offs - principal	(40,508)	-
Loan loss Allowance for - principal	(26,057)	-
Loan Insurance loss reserve - principal	(3,045)	-
Closing balance	\$ 969,299	364,874

(i) Loans portfolio outstanding includes receivable from staff amounting to \$9,390 (2010: \$Nil) which is interest free and repayable within 1 year.

(a) Loan Loss Allowance

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 by lateness of payment. A loan becomes late as a weekly scheduled payment is missed. The company applies the following conservative predicted loss ratios.

Allowance Ratios for Group Loans

Loan Aging	Loan Loss Allowance	Loan Outstanding (\$)	Loan Loss Allowance Amount (\$)
1 week to 4 weeks late	5%	271,562	13,578
5 weeks to 8 weeks late	10%	16,143	1,614
9 weeks to 12 weeks late	25%	15,381	3,845
13 weeks to 16 weeks late	50%	12,031	6,016
17 weeks to 20 weeks late	75%	15,266	11,450
21 weeks or more	100%	30,062	30,062
Total Allowance as of 31 December 2011		360,445	66,565

The company provides a 100% provision for loan losses for loans overdue for 21 weeks or more.

NOTE 10. LOANS PORTFOLIO OUTSTANDING (CONT'D)

(b) Write-Offs

Loan Type	Number of Loans	Write off Amount	Amount as % of Loan Portfolio
Loan Insurance Losses	10	3,955	0.38%
Loan Loss Allowance	147	40,508	4.06%
Total	157	44,463	4.44%

Ten loans in the 2011 financial year were written off upon death of clients as per Loan Insurance Loss Policy.

The decision as to which loans to write off and to which to provide loan allowance in 2011 was made taking into account the age of the outstanding loan, the balance of the outstanding loan compared to the cost effectiveness of recovery and management's own evaluation of the likelihood of recovery. Loans write-off requires an approval by the President of the company.

(c) Movement in Insurance Loan Loss Reserve

Insurance loan loss reserve is increased by annual insurance loan loss reserve expense and decreased by loan reserve write-offs.

	2011	2010
Opening balance	\$ -	-
Loan loss expense for the year	7,001	1,250
Loans written off in the year	(3,955)	(1,250)
Closing balance	<u>3,045</u>	<u>-</u>

(d) Loan Loss Allowance

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

Movement in Loan Loss allowance

Opening balance	-	-
Loan loss expense for the year	66,565	-
Loans written off in the year	(40,508)	-
Closing balance	<u>\$ 26,057</u>	<u>-</u>

(e) Portfolio Composition

The company adopts the Grameen Bank's group solidarity lending methodology. The company's loan portfolio consists of loans to clients and staff. Group Loans are made under the provisions of SPBD Credit Manual. Staff loans are made under the provisions of the employee loan program under SPBD Human Resources Policy Manual.

The company offers one group loan product with variable terms and pricing depending on the loan amount as shown in the following table:

NOTE 10. LOANS PORTFOLIO OUTSTANDING (CONT'D)

(e) Portfolio Composition (Cont'd)

Minimum Loan Amount \$	Maximum Loan Amount \$	Loan Term	Add-on Interest
250	300	13 weeks	8%
350	550	16 weeks	14%
600	850	39 weeks	20%
900	5,000	52 weeks	25%

The loan product is unsecured and is amortised in weekly equal instalments. The first loan (regardless of loan product) should be used exclusively to expand or establish a microenterprise to be managed by the client or by a household member (husband, son, daughter, etc.). Subsequent loans can be used only for any or a combination of the following purposes: business, home improvement and education of children. Loans are disbursed at the company office while loan repayments are collected at the village-based meetings by the company staff. Commencing 7 December 2011, payment through Vodafone's MPaiSA mobile money services also became available to the clients. A loan must be paid off before another loan is issued to the same client.

Loans Disbursed during 2011			
Loan Type	Number of New Loans	Principal Amount	Amount as % of Total Portfolio
Group loans (New)	2,325	2,169,050	95%
Group loans (Existing)	69	91,650	4%
Staff loans	13	27,650	1%
Total	2,407	2,288,350	100%
<i>Average loan size at disbursement</i>		\$951	

Loans Disbursed during 2010 period			
Loan Type	Number of New Loans	Principal Amount	Amount as % of Total Portfolio
Group loans	412	412,000	100%
Total	412	412,000	100%
<i>Average loan size at disbursement</i>		\$1,000	

The 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.

NOTE 10. LOANS PORTFOLIO OUTSTANDING (CONT'D)

(f) Portfolio Quality

The company loans is staff's number one priority to keep the loan portfolio healthy. They strictly apply the credit rules and policies outlined in SPBD Credit Manual. As the company offers only unsecured loans, it relies on good client and project selection as a primary tool to ensure portfolio quality. When a client does not have a payment, the company applies the group guarantee policy and asks 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	Number of Accounts	31 December 2011		
		Outstanding Principal Balance	PAR > 30 Amount	PAR > 30 Days (%)
		\$	\$	
Group Loans				
Current	1,470	655,594		
Restructured loan	86	47,108		
Staff loan	13	9,390		
1-4 weeks late	798	267,414		
5-8 weeks late	48	15,778	15,778	1.58
9-12 weeks late	4	3,117	3,117	0.31
Total	2,419	998,401	18,895	1.89

The company 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. The company does not have any late or penalty fees. The company staff then follows the procedures outlined in the SPBD Credit Manual to get clients in arrears back on track as soon as possible. Parallel to these efforts, the company creates 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 10 (a) above.

NOTE 11. RECEIVABLES

	2011	2010
Deposits	\$ 20,600	20,600
Prepayments and other receivables	6,962	-
Total receivables	\$ 27,562	20,600

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and peripherals	Motor vehicles	Software and electronics system	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Gross carrying amount							
Balance at 1 January 2010	-	-	-	-	-	-	-
Additions	21,144	18,495	8,592	18,004	111,000	8,106	185,341
Balance at 31 December 2010	21,144	18,495	8,592	18,004	111,000	8,106	185,341
Additions	-	11,599	1,273	12,462	-	1,936	27,270
Disposals	-	-	-	-	(76,000)	-	(76,000)
Balance at 31 December 2011	21,144	30,094	9,865	30,466	35,000	10,042	136,611
Accumulated depreciation							
Balance at 1 January 2010	-	-	-	-	-	-	-
Depreciation	1,762	605	367	1,294	6,472	676	11,176
Balance at 31 December 2010	1,762	605	367	1,294	6,472	676	11,176
Depreciation	10,512	4,619	1,820	7,424	20,111	3,246	47,732
Disposals	-	-	-	-	(13,944)	-	(13,944)
Balance at 31 December 2011	12,274	5,224	2,187	8,718	12,639	3,922	44,964
Net book value							
Balance at 31 December 2010	19,382	17,890	8,225	16,710	104,528	7,430	174,165
Balance at 31 December 2011	8,870	24,870	7,678	21,748	22,361	6,120	91,647

NOTE 13. CLIENT SAVINGS DEPOSITS	2011	2010
Number of Savings Accounts	\$ 2,668	656
Client savings balance	245,721	50,481

All members of SPBD are required to open a savings account and deposit an initial amount of \$10. This must be deposited prior to any initial loans disbursed. When the loan has been processed and approved, 5% of the loan amount is deducted and recorded in the client savings account as compulsory deposit. Client with a current loan balance must have a minimum deposit of 5% of the original loan amount.

Only members of SPBD - formed Centre can open a savings account with South Pacific Business Development Microfinance (Fiji) (Ltd). Notwithstanding the outstanding loan, the member is required to fully observe members duties like attending the weekly meetings, approve and guarantee other member's loans.

There is no limit on the amount of money the clients can keep in the savings account. The minimum balance that a client can keep is \$1. However, for members with current loan the minimum balance at any given time should be \$10 plus 5% of the original loan amount.

NOTE 14. PAYABLES

Payable to South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited (a)	175,398	163,061
Payable to Transformative Ventures LLC (a)	109,565	75,797
Other payables	-	2,047
FNPF payable	-	3,045
PAYE payable	-	216
Accrued interest	68,127	4,764
Accruals	22,811	17,500
Total payables	\$ 375,901	266,430

(a) South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited and Transformative Ventures LLC are shareholder related entities. Payable to shareholder related entities are for the traveling charges and executive remuneration fees and management fees, paid by the shareholder related entities on behalf of the company.

NOTE 15. INTEREST BEARING BORROWINGS	2011	2010
Current		
Unsecured borrowings:		
MicroDreams Foundation loan 2 (a)(i)	\$ 184,911	-
Jasmine Charitable Trust (c)	108,038	-
	<hr/>	<hr/>
Total current unsecured interest bearing borrowings	292,949	-
	<hr/>	<hr/>
Non-Current		
Unsecured borrowings:		
MicroDreams Foundation loan 2 (a)(i)	-	184,809
MicroDreams Foundation loan 1 (a)(ii)	200,000	200,000
MicroDreams Foundation loan 3 (a)(iii)	369,823	-
	<hr/>	<hr/>
PIF Foundation (b)	120,000	120,000
Jasmine Charitable Trust (c)	972,342	-
	<hr/>	<hr/>
Total non-current unsecured interest bearing borrowings	\$ 1,662,165	504,809

(a) The company received the following loans from MicroDreams Foundation to assist the company in financing its activities:

- (i) Unsecured loan amounting to USD 100,000 on 7 December 2010 at an interest rate of 6% per annum. Interest payments were made semi-annually during current financial period and will be paid quarterly during 2012. Interest payments are based on amount of principal outstanding for the prior period. The first interest payment was on 30 June 2011 and is based on the entire period since the loan disbursement. The final interest payment will be due on 31 December 2012.

Principal repayments will be made in four quarterly instalments of USD 25,000 and will be due on 31 March 2012, 30 June 2012, 30 September 2012 and 31 December 2012. The loan is due in full on 31 December 2012.

Since the loans are unsecured, the Funder requires the following:

- the annual audited financial statements.
 - unaudited quarterly financial statements.
 - a completed semi-annual report with data for 30 June and 31 December for each year that this loan agreement remains in effect.
 - three well written SPBD-Fiji client success stories with high quality photos every six months.
 - such other information regarding the company or the Loan Program as the Funder may reasonably request from time to time.
- (ii) Unsecured loan amounting to \$200,000 on 1 November 2010 at an interest rate of 8% per annum. The interest payments were made semi-annually beginning 30 June 2011 and will be based on the amount of principal outstanding for the prior six month period. The interest payment on 30 June 2011 was based on the entire period since loan disbursement. The final interest payment will be due on 31 December 2014.

NOTE 15. INTEREST BEARING BORROWINGS (CONT'D)

Principal repayments will be made in four quarterly instalments of \$50,000 and will be due on 31 March 2014, 30 June 2014, 30 September 2014 and 31 December 2014. The loan is due in full on 31 December 2014.

Since the loans are unsecured, the Funder requires the following:

- the annual audited financial statements.
- unaudited quarterly financial statements.
- a completed semi-annual report with data for 30 June and 31 December for each year that this loan agreement remains in effect.
- three well written SPBD-Fiji client success stories with high quality photos every six months.
- such other information regarding the company or the Loan Program as the Funder may reasonably request from time to time.

- (iii) Unsecured loan amounting to USD 200,000 on 23 May 2011 at an interest rate of 7% per annum. The interest payments will be made annually beginning 31 December 2014 and will be based on the amount of principal outstanding for the year. The final interest payment will be due on 31 December 2015.

Principal repayments will be made in five quarterly instalments of USD 40,000 and will be due on 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015 and 31 December 2015. The loan is due in full on 31 December 2015.

Since the loans are unsecured, the Funder requires the following:

- the annual audited financial statements.
- unaudited quarterly financial statements.
- three well written SPBD-Fiji client success stories with high quality photos every six months.
- such other information regarding the company or the Loan Program as the Funder may reasonably request from time to time.

- (b) An unsecured loan amounting to \$120,000 from PIF Foundation to assist in financing its activities at an interest rate of 5% per annum. Interest payments must be made annually and are due on 31 December of each year. The first interest payment was due on 31 December 2011 and was based on 13 and half months. Interest payment is based on the average amount of principal outstanding for the preceding twelve months.

Principal repayments will begin in the final year of the loan contract. The first principal repayment will be on 31 March 2014. The company will make four quarterly principal repayments of \$30,000. The final principal payment must be made on 31 December 2014. The loan and all accrued but unpaid interest is due and payable in full on 31 December 2014.

Since the loan is unsecured, the Funder requires the annual audited financial statements, access to the President or General Manager for general discussion and such other information regarding the company or the loan program as the Funder may reasonably request from time to time.

NOTE 15. INTEREST BEARING BORROWINGS (CONT'D)

The funder also requires the following reports within 45 days of the end of each quarter.

- (i) Management report providing update on program activities, intermediate outputs and progress towards targeted outcomes.
 - (ii) Financial Performance Report
 - (iii) Other reports reasonably requested by the Funder including explanation around administrative issues, legal advice and staffing.
 - (iv) The parties will meet by conference call to discuss the contents of the report.
- (c) During the financial year, loan from Jasmine Charitable Trust was acquired to assist the company in financing its activities. The company received unsecured loan amounting to NZD 750,000 at an interest rate of 3% per annum. Interest payments must be made quarterly. The first interest payment will begin 24 months after disbursement of loan. Interest payments will be based on the average amount of principal outstanding for each quarter.

Principal repayments will begin 24 months after disbursement of the loan contract. The first principal repayment will be on 31 December 2012. The company will make ten quarterly principal repayments of NZD 75,000 each. The final principal payment must be made on 31 March 2015. The loan and all accrued but unpaid interest is due and payable in full on 31 March 2015.

Since the loan is unsecured, the Funder requires the annual audited financial statements, access to the President or General Manager for general discussion and such other information regarding the company or the loan program as the Funder may reasonably request from time to time.

The funder also requires the following reports within 30 days of the end of each quarter.

- (i) Management report providing update on program activities, intermediate outputs and progress towards targeted outcomes.
- (ii) Financial Performance Report
- (iii) Other reports reasonably requested by the Funder including explanation around administrative issues, legal advice and staffing.
- (iv) The parties will meet by conference call to discuss the contents of the report.

NOTE 16. SHARE CAPITAL

	2011	2010
Authorised capital (a)		
4,000,000 ordinary shares of \$0.25 each (2010: 250,000 ordinary shares of \$1 each)	\$ 1,000,000	250,000
Issued and paid up capital (a)		
1,000,000 ordinary shares of \$0.25 each (2010: 250,000 ordinary shares of \$1 each)	\$ 250,000	250,000

- (a) During July 2011, as per special resolution of the shareholders, the company increased its authorised capital to 4,000,000 shares at par value of \$0.25 each. Accordingly, issued and paid up shares of 250,000 of \$1.00 each were also split into 1,000,000 shares of \$0.25 each.

NOTE 17. COMMITMENTS	2011	2010
a) Capital Commitments		
Capital expenditure approved but not committed	\$ 534,002	526,182
Total capital expenditure commitments	534,002	526,182

Capital expenditure commitment relates to purchases of motor vehicles, computer equipments, office equipments, upgrades to MIS software and renovations and furnishings of offices.

b) Operating Lease Commitments

Operating lease rental for building spaces used is payable as follows:

Not later than one year	66,000	95,000
Later than one year but not later than two years	50,000	60,000
Later than two years but not later than five years	-	50,000
	\$ 116,000	205,000

NOTE 18. CONTINGENT LIABILITIES

Contingent liabilities as at 31 December 2011 amounted to \$Nil (2010: Nil).

NOTE 19. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTE 20. RELATED PARTY TRANSACTIONS

(a) The names of persons who were directors of the company at any time during the year are as follows:

Gregory F Casagrande
 Peter Lowing

Shareholder related entities are as follows:

1. South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited
2. Transformative Ventures LLC.

During the year, related party transactions with the above entities were as follows:

1. Management fees amounting to \$81,203 was payable to Transformative Ventures LLC.
2. Charges for payments made by South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited to the executives of the company amounted to \$104,088.

NOTE 20. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the financial year, no compensation was directly paid to key management personnel.

However, management fee was paid to shareholder related entity for management services provided amounting to \$81,203. Also shareholder related entity had engaged and paid to executive personnel of the company, remuneration amounting to \$104,088. These amounts have been disclosed as management fees in the financial statements (Refer note 14(a)).

NOTE 21. PRINCIPAL ACTIVITIES

The principal activities of the company during the year were to provide financial assistance to economically disadvantaged people particularly women who cannot easily access savings and loan products from traditional banks.

There were no significant changes in the nature of this activity during the financial year.

NOTE 22. COMPANY DETAILS

Company Incorporation

The company was incorporated in Fiji under the Companies Act, 1983.

Registered Office and Principal Place of Business

The registered office and principal place of business of the company is located at:

Bidesi Building,
250 Waimanu Road
Suva

NOTE 23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 8 June 2012.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) (LTD)

ADDITIONAL FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2011

DISCLAIMER

The additional financial information presented on pages 34 to 35 does not form part of the statutory financial statements. The additional financial information is in accordance with the books and records of South Pacific Business Development Microfinance (Fiji) (Ltd) which has been subjected to the auditing procedures applied in our statutory audit of the company for the year ended 31 December 2011. Our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on the additional financial information and no warranty of accuracy and reliability is given.

In accordance with our firm's policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person (other than the company) in respect of such information.

SUVA, FIJI
8 JUNE 2012


CHARTERED ACCOUNTANTS

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) (LTD)
 ADDITIONAL INFORMATION
 DETAILED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2011

	<u>2011</u>	<u>2010</u>
Financial Income		
Development fee	\$ 45,194	8,240
Interest on loans	405,449	11,231
Loan insurance fee	56,250	10,300
Savings withdrawal fee	14,698	76
Life insurance fee	19,564	-
Resignation fee	2,710	-
Loan restructure fee	5,299	-
	<hr/>	<hr/>
Total financial income	549,164	29,847
Financial Expenses		
Interest on borrowed funds	(80,462)	(4,764)
Interest on savings deposits	(2,444)	-
Loan insurance loss	(7,001)	(1,250)
Loan loss allowance	(66,565)	-
	<hr/>	<hr/>
Total financial expenses	(156,472)	(6,014)
Net financial income	392,692	23,833
Other operating revenue	36,128	2,186
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Total income	428,820	26,019
Administration and operating expenses (Page 35)	(1,155,768)	(391,182)
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Operating Loss before income tax	(726,948)	(365,163)
Non operating revenue		
Donations	13,750	-
Income tax expense	-	-
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Loss for the year	\$ (713,198)	(365,163)

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) (LTD)
 ADDITIONAL INFORMATION [CONT'D]
 DETAILED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2011

Page 35

	2011	2010
Administration and Operating Expenses		
Accounting fees	\$ 13,196	4,500
Audit fees	14,000	8,000
Bank charges	5,526	136
Computer support	9,128	-
Conference and meetings	568	-
Depreciation	47,732	11,176
Electricity and water	8,262	1,787
Exchange loss - unrealised	67,859	3,205
FNPF contribution	25,637	1,522
GM's Expenses	13,860	3,755
Insurance	1,497	3,178
Legal fees	1,578	36,319
Life insurance	9,735	-
Management fees	185,291	114,241
Membership and subscriptions	255	-
Office expenses	10,662	630
Other expenses	15,761	1,283
Organisational set-up costs	58,210	33,232
Overseas traveling	44,016	52,182
Printing and office stationeries	18,661	21,857
Program Development cost	11,798	-
Postage, telephone and communication	15,960	1,039
Public relations and advertisements	3,133	762
Recruitment expense	-	2,048
Rent	79,500	17,250
Repairs and maintenance	13,169	10,533
Salaries and wages	314,398	19,606
Software training and maintenance costs	-	7,017
SPBD grand opening day	17,669	25,059
SPBD awards day	25,144	-
Staff benefits	34,811	2,405
Staff training and development	13,753	3,117
Transportation, fuel and oil	74,999	5,343
Total administration and operating expenses	\$ 1,155,768	391,182