

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

AUDITED FINANCIAL STATEMENTS



T u i n a A t u O A v a n o a
M o S e T a e a o M a n u i a

FOR THE YEAR ENDED 31 DECEMBER 2009

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

Scope

We have audited the accompanying balance sheet of South Pacific Business Development Foundation (SPBD) as of 31 December 2009 and the related statements of revenue and expenditure and cash flows for the year then ended. These financial statements are the responsibility of SPBD management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Opinion

In our opinion, proper accounting records have been kept by South Pacific Business Development Foundation as far as appears from our examination of these records and the financial statements give a true and fair view of the financial position of South Pacific Business Development Foundation as of December 31, 2009, and of the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

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



BETHAM & CO.

Certified Public Accountants

Apia

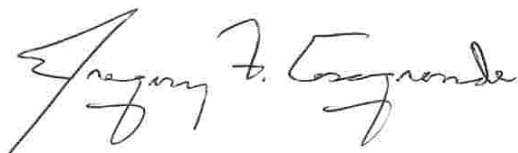
Dated: 30th March 2010

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
BALANCE SHEET
AS AT 31 DECEMBER 2009**

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ACCUMULATED FUNDS	Notes	WST (\$) 31-Dec-09	WST (\$) 31-Dec-08
Net (Loss)/Profit from Operations:			
2000		(744,735)	(744,735)
2001		(587,919)	(587,919)
2002		(404,182)	(404,182)
2003		(510,505)	(510,505)
2004		(174,214)	(174,214)
2005		(205,323)	(205,323)
2006		(58,432)	(58,432)
2007		167,100	167,100
2008		227,151	227,151
2009		515,949	
		<u>(1,775,110)</u>	<u>(2,291,059)</u>
Represented by:			
CURRENT ASSETS			
Cash on Hand and at Bank	2	1,153,583	741,633
Loans Receivable	3	3,609,804	2,602,588
Other Receivables	5	18,198	18,382
		<u>4,781,585</u>	<u>3,362,602</u>
CURRENT LIABILITIES			
Other Creditors and Accruals	6	39,052	81,335
Member Saving Deposits	11	708,606	466,495
		<u>747,657</u>	<u>547,829</u>
WORKING CAPITAL		4,033,927	2,814,773
FIXED ASSETS	7	146,395	204,645
TERM LIABILITIES/QUASI EQUITY			
Quasi Equity	8	1,765,273	2,007,389
Soft Loans	8A	1,533,395	2,538,194
Commercial Loans	9	2,656,764	764,894
		<u>(1,775,110)</u>	<u>(2,291,059)</u>

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



Gregory F. Casagrande
PRESIDENT

31 March 2010

Date

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2009

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	Notes	WST (\$) 31-Dec-09	WST (\$) 31-Dec-08
<u>FINANCIAL INCOME</u>			
Interest from Loans		1,579,854	1,283,344
Insurance on Loans		170,186	129,925
Savings Fees		8,958	8,886
Interest on Bank Accounts and Term Deposits		11,482	25,840
Miscellaneous income		1,432	2,778
Financial Income Sub-Total		1,771,912	1,450,774
<u>FINANCIAL EXPENDITURES</u>			
Interest Expenses		154,672	118,977
Interest on Overdraft Facilities		106,162	3,754
Financial Expenditures Sub-Total		260,835	122,731
NET FINANCIAL INCOME		1,511,078	1,328,043
<u>LOAN LOSS PROVISION</u>			
Loan loss provision		66,070	6,976
Insurance loss provision		11,605	3,133
Loan Loss Provision Sub-Total		77,675	10,108
NET FINANCIAL MARGIN		1,433,403	1,317,935
<u>OPERATING EXPENSES</u>			
Accident Compensation Board		3,028	3,183
Bank Charges		16,671	12,027
Collection Fees - Delinquent Loans		15,664	5,292
Communications		51,921	25,308
Depreciation	7	60,447	103,412
Insurance		5,664	13,509
National Provident Fund		15,146	15,558
Office Expense		14,862	11,620
Other Expenses		13,390	18,497
Printing and Stationeries		38,538	44,592
Professional Services		105,823	82,347
Public Relations		4,509	2,170
Rental Expenses		79,431	73,283
Repairs and Maintenance		32,129	25,291
Salaries and Wages		493,154	479,935
Savaai Launching		-	6,875
Taxes and Fees		500	4,189
Training		7,507	44,157
Transportation		65,041	63,311
Travel		56,992	103,102
Operating Expenditures Sub-Total		1,080,416	1,137,660
NET OPERATING INCOME		352,986	180,274
<u>NON OPERATING REVENUE</u>			
Grants	10	280,022	22,750
Foreign Exchange (Gain)/Loss		67,734	32,172
Donations - Annual Womens Award		-	7,200
Non-Operating Revenues Sub-Total		347,756	62,122
<u>NON OPERATING EXPENSES</u>			
Annual Events - Womens Award		-	15,245
Tsunami Relief Effort/Cash For Work		184,793	-
Non-Operating Expenditures Sub-Total		184,793	15,245
NET NON OPERATING INCOME		162,962	46,877
NET PROFIT		515,949	227,151

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

Analytics

Net Operating Income as a % of Assets	7.2%	5.1%
Net Profit as % of Assets	10.5%	6.4%

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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	WST (\$) 31-Dec-09	WST (\$) 31-Dec-08
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Loan Principal Repayments	5,721,720	4,728,907
Loan Interest Repayments	1,579,854	1,283,344
Loan Insurance	170,186	129,925
Miscellaneous income	1,432	2,778
Interest from Bank	11,482	25,840
Savings fees	8,958	8,886
Cash was applied to:		
Loans Disbursements	(6,786,611)	(5,045,385)
Payments to Suppliers and Employees	(1,208,962)	(1,048,645)
Other Receivable	3,084	27,908
Net Cash flows used by Operating Activities	(498,857)	113,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,197)	(53,625)
Net Cash flows from Investing Activities	(2,197)	(53,625)
CASH FLOWS FROM FINANCING ACTIVITIES		
Soft Loans/Quasi Equity	3,695,912	1,807,176
Loan Repayment - Soft Loans	(3,403,555)	(2,955,086)
Commercial Loans/Overdraft Facility	200,000	206,220
Grants	280,022	22,750
Interest Paid on Loans	(102,731)	(120,866)
Member Savings Deposit	243,355	259,939
Net Cash flows from Financing Activities	913,002	(779,867)
NET INCREASE/ (DECREASE) IN CASH	411,949	(719,934)
OPENING CASH BALANCE	741,633	1,461,565
CLOSING CASH BALANCE	1,153,583	741,633
Represented by:		
Samoa-based Accounts		
ANZ Bank - Euro Account	148,109	-
ANZ Bank - Term Deposit (EURO \$)	169,664	-
ANZ Bank - Term Deposit	119,727	140,159
ANZ Bank - Term Deposit (ST)	56,392	55,702
Westpac Bank Term Deposit (USD)	234,254	114,909
Westpac Bank Term Deposit - Savings Account	286,472	199,199
Westpac Bank - USD Operating Account	25,707	119,852
Westpac Bank - Savings Account	30,949	106,078
Westpac Bank - EURO Foreign Account	102	1,044
Westpac Bank - EURO Foreign Account TD	-	-
Westpac Bank - Term Deposit SAT	80,000	-
Petty Cash	707	707
Savaii Imprest	1,500	-
New Zealand-based Account		
Bank of New Zealand	-	3,984
	1,153,583	741,633

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These accounts are prepared in accordance with the historical cost convention. Generally accepted accounting principles have been applied.

(b) Depreciation

Depreciation is calculated so as to write off the net cost of each fixed asset during its expected useful life. The principal rates and methods used are as follows:

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

(c) Foreign currency

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

Exchange rates used:	31-Dec-09	31-Dec-08
	NZD/WST	0.5411
	USD/WST	0.3925
	EUR/WST	0.2677

(d) Income and grants

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

(i) Interest income from loans receivable and term deposits

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

(ii) Insurance income

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

(iii) Loan recoveries

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

(iv) Savings fees

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

(vi) Grants

Grants are from overseas donors for financing tsunami cash relief effort and cash for work projects and are recognised in the period in which they are received.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) **Expenses**

SPBD's expenses are recorded on an accrual basis.

(f) **Income tax**

SPBD is registered as a charitable organization under the Charitable Trust Act 1965. Charitable organizations are not liable for income tax, according to the Income Tax Act 1974.

(g) **Comparative figures**

This is the tenth year since SPBD started its operations. The audited figures for the year then ended 31 December 2008 has been provided herewith for comparison.

2 CASH AND BANK BALANCES	31-Dec-09	31-Dec-08
	\$	\$
Samoa-based Accounts		
ANZ Bank - Checking Account	-	-
ANZ Bank - Euro Account	148,109	-
ANZ Bank - Euro Term Deposit	169,664	-
ANZ Bank - USD Term Deposit *	119,727	140,158
ANZ Bank - ST Term Deposit *	56,392	55,702
Westpac Bank - USD Term Deposit *	234,254	114,909
Westpac Bank - USD Account	25,707	119,852
Westpac Bank - ST Savings Term Deposits	286,472	199,199
Westpac Bank - Savings Account	30,949	106,078
Westpac Bank - EURO Foreign Account	102	1,044
Westpac Bank - SAT	80,000	-
Petty Cash	707	707
Savaii Imprest	1,500	-
New Zealand-based Account		
Bank of New Zealand	-	3,984
	<u>1,153,583</u>	<u>741,633</u>

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

3 LOANS RECEIVABLE	31-Dec-09	31-Dec-08
	\$	\$
Total Disbursements (Accumulative Since Inception)	29,715,441	22,928,830
Less: Repayments (Accumulative Since Inception)	(25,523,773)	(19,822,053)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(548,693)	(486,626)
Gross Loans Receivable	<u>3,642,974</u>	<u>2,620,150</u>
Less: Loan Contingency Reserve	(33,171)	(17,562)
	<u>3,609,804</u>	<u>2,602,588</u>
Gross Loans Receivable		
Beginning balance	2,620,150	2,318,279
Add/Less: 2009 Transactions		
2009 Disbursements	6,786,611	5,045,385
2009 Repayments	(5,701,720)	(4,728,907)
Write-offs - Principal	(62,067)	(14,607)
Total	<u>1,022,824</u>	<u>301,871</u>
Balance as at 31 December 2009	<u>3,642,974</u>	<u>2,620,150</u>

4 RELATED PARTY TRANSACTIONS

Borrower	Balance	Term	Status
Staff	104,738	3 to 24 months	Current

The above balance of \$104,738 for Related Party Transactions is included in the balance of \$3,591,840 for Loans Receivable in note 3 above. The amount \$104,738 includes the calamity loans given to the staff separately as an emergency loan to assist their family due to tsunami in September 2009.

5 OTHER RECEIVABLES	31-Dec-09	31-Dec-08
	\$	\$
Prepaid insurance	2,238	2,611
Others (Deposit/Travel advance)	4,031	4,031
Interest due	11,642	11,642
Employee Receivable	51,636	51,446
Less: Provisioning	<u>(51,348)</u>	<u>(51,348)</u>
	<u>18,198</u>	<u>18,382</u>

6 OTHER CREDITORS AND ACCRUALS	31-Dec-09	31-Dec-08
Interest payable	25,707	13,503
Accrued expenses & Other Payables	<u>13,345</u>	<u>67,832</u>
	<u>39,052</u>	<u>81,335</u>

7 FIXED ASSETS

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

31-Dec-08	Cost	Accum. Deprecn	Deprecn Charge	Net Book Value
	\$	\$	\$	\$
Office Equipment	35,943	22,284	7,458	13,659
Computers	178,700	119,143	21,325	59,557
Furniture and Fittings	30,344	23,567	2,525	6,777
Leasehold Improvements	16,249	16,249	-	-
Motor Vehicles	562,650	437,998	72,104	124,652
	<u>823,886</u>	<u>619,241</u>	<u>103,412</u>	<u>204,645</u>

8 QUASI EQUITY (0-1% interest debt)	31-Dec-09	31-Dec-08
	\$	\$
Gregory F. Casagrande	1,312,408	1,843,601
SPBD-USA -MicroDreams	<u>452,865</u>	<u>163,788</u>
	<u>1,765,273</u>	<u>2,007,389</u>

Gregory F. Casagrande

This is a long term, 0% interest loan from Gregory F. Casagrande, SPBD's Founder, Chairman and President. The loan has been used to finance the start-up and growth of SPBD. The loan balance as of 31 December 2009 is NZD \$655,000 (WST \$1,210,497) and USD \$40,000 (WST \$101,911) respectively.

The loan with Mr. Casagrande is governed by a Master Loan Agreement, the major provision of which includes 0% interest rate, and a quarterly repayment schedule going through to 31 December 2011. The total loan repayment made in 2009 was NZD \$300,000 and USD \$20,000, thus reducing loan balances as of December 31, 2009 to NZD \$655,000 and USD \$40,000

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
GFC 1	NZD	0.00%	31-Dec-11	955,000	-	300,000	655,000	1,210,497
GFC 2	USD	0.00%	31-Dec-11	60,000		20,000	40,000	101,911
Total								<u>1,312,408</u>

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

Micro Dreams (used to be known as SPBD USA)

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

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
MD1 05	USD	1.00%	30-Dec-10	55,000	-	35,000	20,000	50,955
MD2 09	WST	6.00%	30-Dec-14	-	300,000	-	300,000	300,000
MD3 09	USD	7.00%	30-Dec-10	-	80,773	40,773	40,000	101,910
Total				55,000	380,773	75,773	360,000	452,865

8A SOFT LOANS (> 1% interest debt)

	31-Dec-09	31-Dec-08
	\$	\$
Rabobank	(14,008)	53,259
Jasmine Charitable Trust (Sam Morgan)	850,000	900,000
Kiva Micro funds	678,726	1,584,934
Robert Kennedy School	18,678	-
	<u>1,533,395</u>	<u>2,538,194</u>

Rabobank Foundation

SPBD received a EURO \$50,000 loan from Rabobank Foundation in March 2005 with an interest rate of 5% per annum. SPBD has made two principal repayments in 2009 amount EURO \$16,250, and the last payment made in December 2009 was overstated by EURO \$3,250, thus have a negative loan balance amount EURO \$3,250 (ST\$14,008)

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
Loan	EURO	5%	31-Dec-09	12,500	-	16,250	(3,750)	(14,008)

Jasmine Charitable Trust (Sam Morgan)

The Jasmine Charitable Trust have entered into two previous loan agreements dated March 6, 2007 and May 14, 2009 respectively. SPBD received 2 tranches in 2009 with total amount of WST \$350,000, and a new loan agreement was issued to consolidate all loan agreements between SPBD and Jasmine. Previous loan terms and conditions have been modified and incorporated in the new loan contract. All loans from Charitable Trust have been consolidated as one with the new Funding Agreement, and the total principal loan amount is SAT \$850,000 with the interest of 5% per annum. The commencing date of repayment will be April 1, 2011 and to be ended on January 1, 2013.

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
1st tranche	WST	7.00%	1-Jan-11	400,000	-	400,000	-	-
2nd tranche	WST	5.00%	1-Jan-13	500,000	-	-	500,000	500,000
3rd tranche	WST	5.00%	1-Jan-13		200,000	-	200,000	200,000
4th tranche	WST	5.00%	1-Jan-13		150,000	-	150,000	150,000
Total					350,000		850,000	850,000

Kiva Micro Funds

Kiva MicroFunds is a non-profit organisation based in California which established a website to pool lending funds at zero percent interest rate from individuals and channel the pooled funds to field partners. SPBD is one of the field partners of Kiva thereby entitling it to be included in the fund raising activities of Kiva Microfunds. The Kiva Micro funds was able to raise USD \$2,208,475 in pooled loans on behalf of SPBD. This pooled loan is payable in 12 monthly amortization starting 31 January 2007. SPBD has repaid back USD \$1,942,075.17 thus reducing an outstanding balance by December 31, 2009 to USD \$266,399.83 (WST \$678,726)

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
KIVA	USD	0%	on-going	532,221	-	265,821	266,400	678,726

Robert Kennedy School

SPBD received a loan amount to EURO \$5,000 from Robert Kennedy School in June 2009, to finance micro-loans to SPBD women for setting up new businesses. Payment for principal and interest will be upon maturity of the loan on June 30, 2009

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
RKS	EURO	2.00%	30-Jun-10	-	5,000.00	-	5,000	18,678

8A SOFT LOANS (cont'd)

9 COMMERCIAL LOANS / OVERDRAFT

	Loan \$	OD \$	31-Dec-09 \$	31-Dec-08 \$
OikoCredit	249,040		249,040	473,458
CRESUD SPA	1,172,021		1,172,021	85,215
Westpac Bank	-	620,094	620,094	191,022
ANZ Bank		615,609	615,609	15,198
Total	1,421,061	1,235,703	2,656,764	764,894

Oikocredit

SPBD received a loan of EURO \$200,000 in two tranches of EURO \$100,000 each in 2006 from Oikocredit. The loan bears an interest rate of 10% per annum based on the loans declining balance. The loan shall be paid back in nine (9) equal semi-annual installments starting May 2007. Loan maturity date is in May 2011. Outstanding loan balance as of 31 December 2009 was EURO \$66,668 (WST \$249,040).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
1st tranche	EURO	10.00%	31-May-11	11,112	-	11,112	-	-
2nd Loan	EURO	10.00%	31-May-11	100,000	-	33,332.00	66,668	249,040
Total					-	44,444.00	66,668	249,040

Cresud

CRESUD S.p.A further provided a loan of USD \$25,000 in 2006 with interest rate of 8.5% per annum. SPBD has made two principal loan repayment in 2008 which reduces the outstanding balance to USD \$20,000 (WST \$85,215) by December 31, 2008. SPBD received a new loan in July 2009 in the amount of EURO \$250,000, and an additional loan of EURO 60,000 (equivalent to WST 224,131 and repaid back EURO \$10,000 against the 2nd loan. The total outstanding amount as of 31 December 2009 is EURO 313,750 (equivalent to WST 1,172,021).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
2nd Loan	EURO	8.50%	31-Dec-08	20,000.00	-	16,250	3,750	14,008
3rd Loan	EURO	9.00%	30-Sep-12		250,000	0	250,000	933,881
4th Loan	EURO	9.00%	31-Mar-13		60,000	0	60,000	224,131
Total				45,000	310,000	41,250	313,750	1,172,021

Westpac Bank

The overdraft facilities with Westpac Bank are secured by a USD term deposit using the proceeds from the MicroDream loan of USD \$90,000 and a standby letter of credit from HSBC Private Bank (UK) Ltd of GBP 10,000.

31-Dec-09 Facility	% rate p.a	Credit limit ST	Credit limit Utilised	Available Balance WST	Form of Security	Amount of Security
Overdraft facility Acct. No 200052213	10.50%	572,000	575,888	(3,888)	TD USD	USD 96,000
Overdraft facility Acct. No 200011973	10.50%	46,000	44,207	1,793	HSBC SBLC	GBP 10,000
		618,000	620,094	(2,094)		

These facilities will be reviewed again on November 1, 2009

ANZ Bank

The overdraft facility with ANZ are secured by USD Term Deposit and Samoan Tala Term Deposit. There will be an increase in the overdraft facilities in the second quarter 2009, after the bank reviews SPBD account.

31-Dec-09 Facility	% rate p.a	Credit limit ST	Credit limit Utilised	Available Balance WST	Form of Security	Amount of Security
Overdraft facility account	10.50%	410,000	225,609	184,391	SPBD TD	WST \$55,000
Overdraft facility account	10.50%	390,000	390,000	-	SPBD TD	USD 49,000
		-	-	-	SPBD TD	EURO 50,000
		800,000	615,609	184,391		

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

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
 NOTES TO ACCOUNTS
 FOR THE YEAR ENDED 31 DECEMBER 2009**

10 GRANTS

SPBD received grants from the following donors to assist in post-tsunami response and recovery intervention including cash for work project. SPBD received a total grant equivalent to SAT \$280,022 in 2009, in response to tsunami that destroyed the nation in September 2009. The Samoan Tala equivalent was calculated by using the rate of the actual date we received funds from donors.

	Currency	Amount	Amount in WST
Micro-Dreams	USD	25,000	64,733
Mercy Corp	USD	10,000	25,497
Western Union/MC	USD	28,980	73,966
Jasmine Charitable Trust	WST	100,000	100,000
Global Giving	USD	3,732	9,665
Others	USD	1,978	5,161
	WST	1,000	1,000
Total Grants as per P & L			<u><u>280,022</u></u>

11 MEMBER SAVING DEPOSITS

SPBD developed the micro-savings program in partnership with UNDP and Westpac Bank. SPBD formally launched the micro-savings program on October 7th, 2004 following a 3-month pilot-test period and required consultations with the Central Bank of Samoa. Any SPBD new member can open up a savings account with a minimum of ST \$10 deposit. SPBD also started its Savings policy in 2007 whereby 5% loan retention goes into a members Savings Account. SPBD is not a regulated financial intermediary and does not therefore use client deposits for on-lending. Members can the withdraw money with prior notice or anytime for emergencies. SPBD provides monthly saving reports to Central Bank of Samoa. The 5% loan retention can only be withdrawn by a member after the latest loan is fully paid off. SPBD deposits collected savings daily in a segregated bank account at Westpac Bank.

	31-Dec-09	31-Dec-08
	\$	\$
WESTPAC	318,920	305,277
ANZ	389,685	161,218
Total	<u><u>708,606</u></u>	<u><u>466,495</u></u>

12 GENERAL

SPBD is a microfinance organization founded by Gregory F. Casagrande, which was registered on 18 January 2000. SPBD is a Grameen Bank replication and as such provides training, unsecured credit and motivation to mostly poor women for the purpose of starting or expanding small businesses. These small businesses enable SPBD's members to significantly improve the lives of their families. SPBD also provides unsecured housing improvement and childhood education loans to members with successful businesses. SPBD also provides savings and insurance products to its members.

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
 ADDITIONAL DISCLOSURE FOOTNOTES
 FOR THE YEAR ENDED 31 DECEMBER 2009**

A. Loan Loss Provisioning

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

Provisioning Ratios for Group Loans

1 week to 4 weeks late	5%
5 weeks to 8 weeks late	10%
9 weeks to 12 weeks late	25%
13 weeks to 16 weeks late	50%
17 weeks to 20 weeks late	75%
21 weeks or more	100%

Loan Loss Provision is calculated as a flat rate to be applied on the loan balance outstanding in arrears.

B. 2009 Write-Offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	19	11,605	0.32%
Loan Loss	172	50,462	1.39%
Total	191	62,067	1.70%

The decision as to which loans to write off in 2009 was made taking into account the age of the outstanding loan, the balance of the outstanding loan compared to the cost effectiveness of legal recovery and management's own evaluation of the likelihood of recovery.

Twelve SPBD members died in the first six months of 2009, and one of them paid off her loan before she passed away. The total outstanding balances of 11 dead members have been provisioned and written off during the 1st half of 2009.

C. Movement in Loan Loss Insurance Loss

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

WST	2009	2008
Loan Loss Reserve - January 1, 2009	17,562	22,061
Plus: Additional reserve in 2009	77,675	10,108
Loan Loss Expense for the Year (refer to R & E)	11,605	6,976
Loans written off in 2009 (refer to B above)	50,462	7,631
Loan Loss Reserve - December 31, 2009 (refer to Note 3)	33,170	17,562

Movement in Insurance Loan Loss Reserves

	2009	2008
Loan Loss Reserve - January 1, 2009	-	-
Loan Loss Expense for the Year (refer to R & E)	11,605	6,976
Loans written off in 2009 (refer to B above) - 2009	11,605	6,976
Insurance Loan Loss Reserve - 2009	-	-

D. Portfolio Composition

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

SPBD offers two group loan products: (1) 52-week loan product and (2) 17 weeks loan product. Maximum first loan sizes are ST1,000 and ST\$300, respectively. Both loans are amortized in weekly equal instalments. Both loan types are unsecured. The first loan (regardless of loan product) should be used exclusively to expand or establish a microenterprise to be managed by the client herself. Subsequent loans can be used for any or a combination of the following purposes: business, home improvement and education of children. Loans are disbursed at the SPBD office, but 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 2009

Loan Type	# of Loans	Principal Amount	Amount as % of Total Portfolio
Group loans	4,916	6,701,810	99%
Staff loans	60	84,801	1%
Total	4,976	6,786,611	100%

Loans Disbursed during 2008

Loan Type	# of Loans	Principal Amount	Amount as % of Total Portfolio
Group loans	3,841	4,981,703	99%
Staff loans	45	63,682	1%
Total	3,886	5,045,385	100%

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

E. Portfolio Quality

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

E. Portfolio Quality (cont'd)

Loan Types	# of Accounts	31-Dec-09			31-Dec-08		
		Outstanding Principal Balance	PAR > 30 Amount WST\$	PAR > 30 Days (%)	Outstanding Principal Balance	PAR Amount WST\$	PAR > 30 Days (%)
Group Loans							
Current	3,743	3,291,086			2,416,247		
1-4 weeks late	826	106,455			82,193		
5-8 weeks late	14	9,885	9,885	0.27%	22,452	22,452	0.86%
9-12 weeks late	8	4,457	4,457	0.12%	6,436	6,436	0.25%
13-16 weeks late	5	1,897	1,897	0.05%	2,345	2,345	0.09%
17-20 weeks late	3	606	606	0.02%	3,202	3,202	0.12%
over 21 weeks late	73	24,343	24,343	0.67%	6,024	6,024	0.23%
Sub-total	4,672	3,438,728	41,187	1.20%	2,538,899	40,459	1.59%
Restructured Loan (Calamity)	123	99,507					
Staff Loans							
Current		96,663			70,448		
over 4 weeks in arrears		8,075	8,075	7.71%	10,800	10,800	13.29%
Grand Total	4,795	3,642,974	49,262	1.35%	2,620,150	51,261	1.96%

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. Several steps are taken up to and including, initiating the legal recovery process. A significant portion of loan 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.

Staff loans in arrears as at 31 December 2009 represent unpaid loans of ex-employees who have not paid back their loans as per legal agreement. The majority of these files have been referred to our lawyer for collections through legal action.

Restructured Loan

All loan restructuring shall be a client's decision. This was introduced to all our clients affected badly by the tsunami in September 29, 2009. After the tsunami, all affected clients have been given this opportunity to choose whether their existing loans with SPBD shall be restructured, or they still have the ability and capacity to continue making weekly payments. Any loans to be restructured shall be approved by the respective center and any outstanding amount shall then be extended for another 52 weeks without charging any further interest. This was effective on September 29, 2010.

F. Loan Accounts Outstanding

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

	31-Dec-09	31-Dec-08
Number of outstanding loan accounts	4,795	4,162

G. Savings Accounts

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

	31-Dec-09	31-Dec-08
	7,795	5,995

H Interest Accrual on Late Loans

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