

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS



**Tuina Atu O Avanoa
Mo Se Taeao Manuia**

FOR PERIOD ENDING 31 DECEMBER 2007

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SOUTH PACIFIC BUSINESS DEVELOPMENT

Scope

We have audited the accompanying balance sheet of South Pacific Business Development (SPBD) as of 31 December 2007 and the related statements of income and expenditure and cash flows for the year then ended. These financial statements are the responsibility of the enterprise's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 as far as appears from our examination of these records and the financial statements give a true and fair view of the financial position of South Pacific Business Development as of December 31, 2007, 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, 16th April 2008

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS

FOR PERIOD ENDING 31 DECEMBER 2007

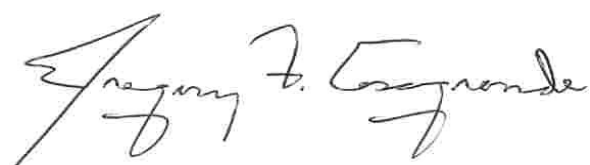
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**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
BALANCE SHEET
AS AT 31 DECEMBER 2007**

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ACCUMULATED FUNDS	Notes	WST (\$) 2007	WST (\$) 2006
Net Loss 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	-
		<u>(2,518,210)</u>	<u>(2,685,310)</u>
Represented by:			
CURRENT ASSETS			
Cash on Hand and at Bank	2	1,461,565	724,683
Loans Receivable	3	2,296,218	1,765,048
Other Receivables	5	26,740	68,087
		<u>3,784,523</u>	<u>2,557,818</u>
CURRENT LIABILITIES			
Other Creditors and Accruals	6	53,518	47,337
Member Saving Deposits	11	283,839	65,479
		<u>337,357</u>	<u>112,816</u>
WORKING CAPITAL		3,447,166	2,445,002
FIXED ASSETS		254,432	223,321
TERM LIABILITIES/QUASI EQUITY			
Soft Loans/Quasi Equity	8	6,220,192	4,572,233
Commercial Loans	9	(383)	781,399
		<u>(2,518,210)</u>	<u>(2,685,310)</u>

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



Gregory F. Casagrande
PRESIDENT

16-Apr-08
Date

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF REVENUES AND EXPENDITURES
FOR YEAR ENDING 31 DECEMBER 2007**

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	Notes	WST (\$) 2007	WST (\$) 2006
REVENUE			
Interest from Loans		1,080,954	641,747
Insurance on Loans		120,268	89,737
Loan Recoveries		7,596	10,605
Savings Fees		4,461	3,454
Operating Revenues Sub-Total		1,213,279	745,542
Grants		64,912	56,727
Interest on Bank Accounts and Term Deposits		28,127	19,666
Miscellaneous income		2,765	4,921
Donations - Womens Award 2007		9,500	-
Gain on disposal		42,250	11,651
Non-Operating Revenues Sub-Total		147,554	92,965
Total Revenues		1,360,833	838,506
EXPENDITURES			
Accident Compensation Board		3,105	3,921
Annual Events - Womens Award		12,232	-
Bank Charges		12,321	20,629
Collection Fees - Delinquent Loans		(3,055)	40,988
Communications		20,736	16,552
Depreciation	7	103,856	83,621
Insurance		17,528	16,096
Loss on sale of fixed assets		-	932
National Provident Fund		14,282	13,557
Office Expense		1,849	2,360
Other Expenses		14,018	29,052
Printing and Stationeries		43,252	23,294
Professional Services		5,875	5,309
Public Relations		3,241	5,739
Rental Expenses		51,888	40,059
Repairs and Maintenance		36,243	47,508
Salaries and Wages		470,918	290,611
Savaii Launching		17,856	-
Taxes and Fees		510	950
Transportation		52,315	69,814
Travel		19,641	23,495
Operating Expenditures Sub-Total		898,612	734,487
Interest Expenses		130,766	92,814
Interest on Overdraft Facilities		12,305	45,979
Loan loss provision		10,014	16,449
Insurance loss provision		4,995	3,623
Savings loss provision	5	51,348	-
Foreign Exchange (Gain)/Loss		85,693	3,586
Total Expenditures		1,193,733	896,938
Net Income/Loss		167,100	(58,432)
Transfer to Accumulated Funds		167,100	(58,432)

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

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOWS
FOR YEAR ENDING 31 DECEMBER 2007**

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	WST (\$)	WST (\$)
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Loan Principal Repayments	4,231,424	3,415,412
Loan Interest Repayments	1,080,954	641,360
Loan Recoveries	7,596	10,599
Loan Insurance	120,268	89,683
Miscellaneous income	2,765	4,918
Interest from Bank	28,127	19,654
Savings fees	4,461	3,452
Cash was applied to:		
Loans Disbursements	(4,777,604)	(3,765,329)
Payments to Suppliers and Employees	(794,440)	(560,576)
Other Receivable	(6,993)	11,182
Net Cash flows from Operating Activities	<u>(103,441)</u>	<u>(129,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(134,968)	(102,053)
Net Cash flows from Investing Activities	<u>(134,968)</u>	<u>(102,053)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Soft Loans/Quasi Equity	2,489,469	917,875
Loan Repayment - Soft Loans	(1,648,897)	(476,741)
Commercial Loans	-	57,269
Grants	54,912	4,248
Interest Paid on Loans	(122,442)	(78,935)
Member Savings Deposit	160,000	63,140
Gain from disposal of assets	42,250	12,345
Net Cash flows from Financing Activities	<u>975,292</u>	<u>499,201</u>
NET INCREASE/ (DECREASE) IN CASH	736,882	267,503
OPENING CASH BALANCE	724,682	457,180
CLOSING CASH BALANCE	<u>1,461,565</u>	<u>724,682</u>
Represented by:		
Samoa-based Accounts		
ANZ Bank - Cheque Account	404,928	-
ANZ Bank - Grameen Trust Account	-	224
ANZ Bank - Access Account	-	2,277
ANZ Bank - Term Deposit	125,751	128,393
ANZ Bank - Term Deposit (ST)	52,452	49,503
Westpac Bank Term Deposit (USD)	399,563	202,349
Westpac Bank Term Deposit - Savings Account	189,669	64,472
Westpac Bank - USD Operating Account	128,019	-
Westpac Bank - Savings Account	35,310	17,217
Westpac Bank - EURO Foreign Account	5,037	248,890
Westpac Bank - EURO Foreign Account TD	106,142	-
Petty Cash	507	507
New Zealand-based Account		
Bank of New Zealand	14,187	10,851
	<u>1,461,565</u>	<u>724,682</u>

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Accounting**

These accounts are prepared in accordance with the historical cost convention. Accrual accounting is used to match expenses with revenues. Generally accepted accounting principles have been applied.

(b) **Depreciation**

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

Office Equipment	5 years	Straight line
Computers	5 years	Straight line
Furniture and Fittings	5 years	Straight line
Leasehold Improvements	4 -5 years	Straight line
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:	2007	2006
NZD/WST	0.5010	0.5134
USD/WST	0.3824	0.3639
EUR/WST	0.2583	0.2721

(d) **Income Tax**

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

(e) **Comparative Figures**

This is the seventh year since SPBD started its operations. The audited figures for the year then ended 31 December 2006 has been converted into Samoan Tala amount and provided herewith for comparison.

(f) **Grants**

SPBD-USA provided a further grant of USD \$15,000 to SBPD in 2007 for the purchase and installation of its new MIS System (CommonCents), and Sam Morgan granted WST \$17,500 for SPBD staff training and development activities.

2 CASH AND BANK BALANCES

	2007	2006
	\$	\$
Samoa-based Accounts		
ANZ Bank - Access Account	-	2,277
ANZ Bank - Checking Account	404,928	-
ANZ Bank - Grameen Trust Account	-	224
ANZ Bank - USD Term Deposit *	125,751	128,393
ANZ Bank - ST Term Deposit *	52,452	49,503
Westpac Bank - USD Term Deposit *	399,563	202,349
Westpac Bank - USD Account	128,019	-
Westpac Bank - ST Savings Term Deposits	189,669	64,472
Westpac Bank - Savings Account	35,310	17,217
Westpac Bank - EURO Foreign Account	5,037	248,890
Westpac Bank - EURO Foreign Account TD	106,142	-
Petty Cash	507	507
New Zealand-based Account		
Bank of New Zealand	14,187	10,851
	<u>1,461,565</u>	<u>724,683</u>

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

3 LOANS RECEIVABLE	2007	2006
	\$	\$
Total Disbursements (Accumulative Since Inception)	17,883,445	13,105,841
Less: Repayments (Accumulative Since Inception)	(15,093,146)	(10,861,722)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(472,019)	(451,516)
Gross Loans Receivable	2,318,279	1,792,603
Less: Loan Contingency Reserve	(22,061)	(27,555)
	<u>2,296,218</u>	<u>1,765,048</u>

Gross Loans Receivable

Ending Balance as at 31 December 2006		1,792,603
Add/Less: 2007 Transactions	WST\$	
2007 Disbursements	4,777,604	
2007 Repayments	(4,231,424)	
Write-offs - Principal	(20,503)	
Total		<u>525,676</u>
Balance as at 31 December 2007		<u>2,318,279</u>

4 RELATED PARTY TRANSACTIONS

Borrower	Principal balance	Term	Status
Staff	77,774	3 to 24 months	Current

5 OTHER RECEIVABLES	2007	2006
	\$	\$
Prepaid insurance	7,336	7,826
Others (Deposit/Travel advance)	3,296	2,345
Interest due	16,109	2,057
Grant from SPBD-USA	-	55,859
Employee Receivable	51,348	-
Less: Provisioning	(51,348)	-
	<u>26,740</u>	<u>68,087</u>

It was detected in 2007 during our internal audit a total misappropriation of funds totalling to \$51,348 against the Customer Deposit. A provision of the same amount has been made in 2007 as the receivable is highly doubtful. SPBD will further pursue legal actions against the former employee.

6 OTHER CREDITORS AND ACCRUALS

Interest payable	21,168	23,539
Accrued expenses & Other Payables	32,350	23,798
	<u>53,518</u>	<u>47,337</u>

7 FIXED ASSETS

2007	Cost	Accumul. Deprec	Depreciation Charge	Net Book Value
	\$	\$	\$	\$
Office Equipment	34,143	16,402	3,631	17,741
Computers	175,024	96,243	16,520	78,781
Furniture and Fittings	27,195	21,041	1,269	6,154
Leasehold Improvements	16,249	16,249	-	-
Motor Vehicles	517,650	365,893	82,436	151,757
	<u>770,261</u>	<u>515,828</u>	<u>103,856</u>	<u>254,432</u>

2006	Cost	Accumul. Deprec	Depreciation Charge	Net Book Value
	\$	\$	\$	\$
Office Equipment	21,392	12,771	2,095	8,620
Computers	119,460	79,722	18,121	39,738
Furniture and Fittings	23,042	19,773	1,740	3,269
Leasehold Improvements	16,249	16,249	-	-
Motor Vehicles	455,150	283,457	70,581	171,693
	<u>635,292</u>	<u>411,972</u>	<u>92,537</u>	<u>223,321</u>

8 QUASI EQUITY (0-1% interest debt)	2007	2006
	\$	\$
Gregory F. Casagrande	2,514,594	2,791,798
SPBD-USA	209,205	302,281
Scott Gilmore	19,798	19,478
Kiva Micro funds	1,595,523	14,359
	<u>4,339,120</u>	<u>3,127,916</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 2007 is NZD \$1,259,812 (WST \$2,514,594). The loan with Mr. Casagrande is governed by a Master Loan. Agreement, the provisions of which include a 0% interest rate, and a quarterly repayment schedule going through to 31 December 2011. SPBD has made quarterly principal repayments in 2007 totalling to NZD \$120,000 and USD \$20,000.

SPBD-USA (now known as MicroDreams)

SPBD-USA has provided SPBD a total loan of \$165,000 from 2001 to 2005 at an interest rate of 1% per annum. SPBD has repaid back USD \$75,000 from 2004 to December 2007, reducing an outstanding balance by the end of 2007 to USD \$ 80,000. There were no additional loans acquired from SPBD-USA in 2007. SPBD has continuously made quarterly repayments to SPBD USA as per the loan agreement. The outstanding loan balance as at 31 December 2007 is USD \$80,000 (WST \$204,205). Final repayment will be made in the year 2010.

Scott Gilmore

SPBD received two loans from Mr. Gilmore (NZD \$2,000 in 2001 and NZD \$8,000 in 2002) totalling NZD \$10,000 at 0% p.a. interest rate. The full amount will be repaid back in February 2008. Outstanding loan balance year end 2007 was NZD \$10,000 (WST \$19,798)

Kiva Micro Funds

Kiva MicroFunds is a non-profit organisation based in California which established a website to pool lending funds as 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 \$1,002,875 in pooled loan in behalf of SPBD. This pooled loan is payable in 12 monthly amortization starting 31 January 2007. SPBD has made a total repayment of USD \$410,278 in 2007, and the outstanding balance at 31 December 2007 is USD \$592,597 (WST \$1,595,523). Funds raised by Kiva on a monthly basis in behalf of SPBD already nets out the monthly amount due to SPBD.

8A SOFT LOANS (> 1% interest debt)	2007	2006
	\$	\$
Donald Hollander	3,000	3,000
Deutsche Bank	-	316,021
Rabobank	120,983	137,817
CRESUD	154,859	252,456
OikoCredit	602,230	735,024
Jasmine Charitable Trust (Sam Morgan)	1,000,000	-
	<u>1,881,071</u>	<u>1,444,318</u>

Donald Hollander

SPBD received \$3,000 Samoan Tala loan from Donald Hollander of New Zealand in 2003. The interest rate is set at 5% p.a., and the repayment of principal and interest will take place-once-at the end of four years, but no later than December 31, 2007. The outstanding loan balance as at 31 December 2007 is WST \$3,000

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8A SOFT LOANS (cont'd)

Deutsche Bank

Deutsche Bank, through the Deutsche Bank Microcredit Development Fund, has increased its exposure from USD \$90,000 to USD \$115,000 to SPBD in 2006 with an interest rate maintained at 2% per annum. This loan was specifically approved to provide collateral to Westpac and ANZ Bank based on 2:1 leverage funding structure whereby proceeds of this loan held on deposit with ANZ and Westpac and ANZ bank secured by way of letter of charge securing local currency loan facilities equivalent to 2:1 (refer to note 8). This loan has been extended until May 2007, in order to facilitate the renewal of existing credit facilities with Westpac and ANZ Banks. The loans with DB has been repaid back in full in 2007, hence no outstanding balance at 31 December 2007

	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
Original loan USD	2%	31-Dec-06	90,000	-	90,000.00	-	-
Renewed loan USD	2%	1-May-07	90,000	25,000	115,000.00	-	-

RABOBANK FOUNDATION

SPBD received a EURO \$50,000 loan from Rabobank Foundation in March 2005 with an interest rate of 5% per annum. Only one principal repayment, amounting to EURO \$6,250 made in 2007 bringing the total outstanding balance as of 31 December 2007 to EURO \$31,250 (WST \$120,983).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
Loan	EURO	5%	31-Dec-09	37,500	-	6,250	31,250	120,983

Cresud

Cresud S.p.A provided a loan of USD \$50,000 in 2005 with the interest rate of 9.5% per annum. SPBD made two principal repayment in 2006 totalling to USD \$25,000 which has then reduced the outstanding balance as of 31 December 2006 to USD \$25,000. Final repayment to be done in the year 2007. CRESUD S.p.A further provided a loan of EURO \$50,000 in 2006 with the interest rate of 8.5% per annum. The first repayment of EURO \$10,000 has been made by December 2007, and the final repayment to be made on 31 December 2008. Outstanding loan balance as of 31 December 2007 is WST \$154,859

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
1st Loan	USD	9.50%	31-Dec-07	25,000	-	25,000	-	-
2nd Loan	EURO	8.50%	31-Dec-08	-	50,000	10,000	40,000	154,859
Total				25,000	50,000	35,000	40,000	154,859

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 installements starting May 2007. Loan maturity date is in May 2011. Outstanding loan balance as of 31 December 2007 was EURO \$155,556 (WST \$602,230).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
1st tranche	EURO	10.00%	31-May-11	100,000	-	44,444	55,556	
2nd Loan	EURO	10.00%	31-May-11	100,000.00	-	-	100,000	
Total					-	44,444.00	155,556	602,230

Jasmine Charitable Trust (Sam Morgan)

SPBD received two tranches from Sam Morgan through Jasmine Charitable Trust in New Zealand totalling to SAT\$1,000,000, with the interest of 7% per annum. Interest payment must be made quarterly beginning 30 June 2007. Principal repayments will be started on October 1, 2008, and the final to be made on January 1, 2011. The outstanding balance as at 31 December 2007 is SAT\$1,000,000

	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST (\$)
1st tranche	7.00%	1-Jan-11	-	500,000	-	500,000	
2nd tranche	7.00%	1-Jan-11	-	500,000	-	500,000	
Total				1,000,000	-	1,000,000	1,000,000

9 COMMERCIAL LOANS

	Loan \$	OD \$	2007 \$	2006 \$
Westpac Bank	-	(383)	(383)	413,662
ANZ Bank	-	-	-	367,737
Total	-	(383)	(383)	781,399

9 COMMERCIAL LOANS (cont'd)

Westpac Bank

The overdraft facilities with Westpac Bank are secured by a USD term deposit using the proceeds from the Deutsche Bank loan of USD 70,000 and a standby letter of credit from HSBC Private Bank (UK) Ltd of GBP 10,000.

2007 Facility	Credit limit	Credit limit	Available	Form of Security	Amount of Security
	ST	NZD	Balance WST		
Overdraft facility Acct. No 200052213	372,000	-	372,000	DB Funds	USD 70,000
Overdraft facility Acct. No 2000119731	46,000	-	46,000	HSBC SBLC	GBP 10,000
	418,000	-	418,000		

These facilities are reviewed and renewed every end of the year.

ANZ Bank

These facilities granted by ANZ Bank are a combination of overdraft and loan facilities. The overdraft facility is unsecured while the loan facilities are secured by a combination of term deposits and standby letter of credit. Details are as follows;

2007 Facility	Credit limit	Credit limit	Available	Form of Security	Amount of Security
	ST	NZD	Balance WST		
Overdraft facility account	100,000	-	100,000	Unsecured	Nil
Loan Account 1 (interest only)	254,000	-	254,000	SPBD TD	USD 45,000
Loan Account 2 (interest only)	90,000	-	90,000	SPBD TD	ST 49,506
Loan Account 3 (interest only)	69,502	-	69,502	Cresud SBLC	USD 25,000
	513,502	-	513,502		

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. The next review date is 15 September 2008.

10 GRANTS

SPBD received a grant of USD \$15,000 from SPBD USA in 2007, and WST \$17,500 from Jasmine Charitable Trust NZ. The former General Manager of SPBD Timothy Parker has given to SPBD a grant of WST \$7,500 in 2007 when he completed his term. Kiva organization also donated 3 cameras to be used by SPBD for Kiva stories valued at WST \$686.00

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 enhanced 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 withdraw money with prior notice or anytime for emergencies. SPBD provides monthly saving reports to the 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.

	2007	2006
	\$	\$
WESTPAC	225,621	65,479
ANZ	58,218	-
Total	283,839	65,479

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 YEAR ENDING 31 DECEMBER 2007**

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. 2007 Write-Offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	9	4,995	0.22%
Loan Loss	50	15,509	0.67%
Total	59	20,504	0.88%

The decision as to which loans to write off in 2007 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. This was reviewed to include all loans that have already passed their maturity date after June 30, 2007.

C. Movement in Loan Loss Reserves

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

WST	2007	2006
Loan Loss Reserve - January 1, 2007	27,555	29,152
Loan Loss Expense for the Year (refer to R & E)	10,014	8,948
Loans written off in 2007 (refer to B above)	15,509	10,545
Loan Loss Reserve - December 31, 2007 (refer to Note 3)	22,061	27,555

Movement in Insurance Loan Loss Reserves

	2007	2006
Loan Loss Reserve - January 1, 2007	-	-
Loan Loss Expense for the Year (refer to R & E)	4,995	3,621
Loans written off in 2007 (refer to B above) - 2007	4,995	3,621
Insurance Loan Loss Reserve - Dec 31, 2007	-	-

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 ST\$750 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 2007

Loan Type	# of Loans	Principal Amount	Amount as % of Total Portfolio
Group loans	3,902	4,678,240	98%
Staff loans	33	99,364	2%
Total	3,935	4,777,604	100%

Loans Disbursed during 2006

Loan Type	# of Loans	Principal Amount	Amount as % of Total Portfolio
Group loans	3,592	3,765,329	99%
Staff loans	101	49,394	1%
Total	3,693	3,814,723	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 loan staff's number one priority is 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	31-Dec-07			31-Dec-06		
	Outstanding Principal Balance	PAR Amount WST\$	Portfolio at Risk 30 Days (%)	Outstanding Principal Balance	PAR Amount WST\$	Portfolio at Risk 30 Days (%)
Group Loans						
Current	2,140,269			1,670,082		
1-4 weeks late	55,961			40,431		
5-8 weeks late	17,576	17,576		5,751	5,751	
9-12 weeks late	7,804	7,804		3,245	3,245	
13-16 weeks late	2,906	2,906		499	499	
17-20 weeks late	9,410	9,410		617	617	
over 21 weeks late	6,907	6,907		12,461	12,461	
Sub-total	44,602	44,602	1.98%	22,573	22,573	1.30%
Staff Loans						
Current	70,514			53,467		
over 4 weeks in arrears	6,930	6,930	8.95%	6,048	6,048	10.16%
Grand Total	2,318,279	51,532	2.22%	1,792,603	28,623	1.60%

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 2007 represent unpaid loans of five staff who left in 2004 - 2007. The majority of these files have been referred to our lawyer for collections through legal action.

F. Loan Accounts Outstanding

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

	2007	2006
	\$	\$
Number of outstanding loan accounts	3,687	2,366

G. Savings Accounts

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

	2007	2006
	\$	\$
	4,526	2,287

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.