

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS



FOR PERIOD ENDING 31 DECEMBER 2006

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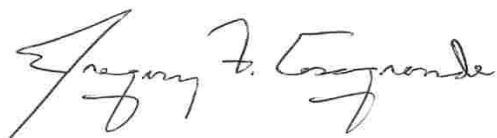
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SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
BALANCE SHEET
AS AT 31 DECEMBER 2006

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ACCUMULATED FUNDS	Notes	NZD (\$) 31-Dec-06	NZD (\$) 31-Dec-05
Net Loss from Operations:			
1999		(38,058)	(38,058)
2000		(418,831)	(418,831)
2001		(353,420)	(353,420)
2002		(205,728)	(205,728)
2003		(214,196)	(214,196)
2004		(35,435)	(35,435)
2005		(50,402)	(50,402)
2006		(31,786)	-
		<u>(1,347,856)</u>	<u>(1,316,071)</u>
Represented by:			
CURRENT ASSETS			
Cash on Hand and at Bank	2	372,066	232,762
Loans Receivable	3	942,571	768,129
Other Receivables	5	34,956	13,869
		<u>1,349,594</u>	<u>1,014,759</u>
CURRENT LIABILITIES			
Other Creditors and Accruals	6	24,303	29,752
Member Saving Deposits	11	33,617	15,163
		<u>57,919</u>	<u>44,914</u>
WORKING CAPITAL		1,291,675	969,845
FIXED ASSETS		91,797	84,150
TERM LIABILITIES/QUASI EQUITY			
Soft Loans/Quasi Equity	8	2,330,158	2,057,954
Commercial Loans	9	401,170	312,112
		<u>(1,347,856)</u>	<u>(1,316,071)</u>

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



 Gregory F. Casagrande

 30-Mar-07

Date

PRESIDENT

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF REVENUES AND EXPENDITURES
FOR YEAR ENDING 31 DECEMBER 2006**

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	Notes	NZD (\$) 2006	NZD (\$) 2005
REVENUE			
Interest from Loans		349,105	304,270
Insurance on Loans		48,816	39,452
Loan Recoveries		5,769	8,950
Savings Fees		1,879	1,683
Operating Revenues Sub-Total		405,569	354,356
Grants	10	30,859	40,716
Interest on Bank Accounts and Term Deposits		10,698	3,919
Miscellaneous income		2,677	909
Gain on disposal		6,338	517
Non-Operating Revenues Sub-Total		50,572	46,061
Total Revenues		456,141	400,417
EXPENDITURES			
Accident Compensation Board		2,133	1,385
Bank Charges		11,222	3,986
Collection Fees - Delinquent Loans		22,297	7,388
Communications		9,004	11,621
Depreciation	7	45,489	36,742
Insurance		8,756	6,903
Loss on sale of fixed assets		507	-
National Provident Fund		7,375	6,116
Office Expense		1,284	2,083
Other Expenses		15,804	12,526
Printing and Stationeries		12,672	8,012
Professional Services		2,888	3,069
Public Relations		3,122	3,776
Rental Expenses		21,792	18,916
Repairs and Maintenance		25,844	24,998
Salaries and Wages		158,090	144,352
Taxes and Fees		517	263
Transportation		37,978	37,787
Travel		12,781	8,555
Operating Expenditures Sub-Total		399,555	338,478
Interest Expenses		50,490	32,898
Interest on Overdraft Facilities		25,012	14,248
Loan loss provision		8,948	19,843
Insurance loss provision		1,971	2,865
Foreign Exchange (Gain)/Loss		1,951	42,487
Total Expenditures		487,927	450,819
Net Income/Loss		(31,786)	(50,402)
Transfer to Accumulated Funds		(31,786)	(50,402)

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 2006**

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	NZD (\$)	NZD (\$)
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Loan Principal Repayments	1,860,232	1,574,080
Loan Interest Repayments	356,064	295,709
Loan Recoveries	5,769	8,950
Loan Insurance	48,816	39,452
Miscellaneous income	2,677	909
Interest from Bank	10,698	3,919
Savings fees	1,878	1,683
Cash was applied to:		
Loans Disbursements	(2,045,593)	(1,719,986)
Payments to Suppliers and Employees	(305,133)	(301,736)
Other Receivable	-	(3,238)
Net Cash flows from Operating Activities	(64,592)	(100,258)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(52,394)	(66,279)
Net Cash flows from Investing Activities	(52,394)	(66,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Soft Loans/Quasi Equity	471,237	291,429
Loan Repayment - Soft Loans	(244,759)	(98,049)
Commercial Loans	29,402	23,925
Grants	2,181	40,716
Interest Paid on Loans	(40,525)	(45,960)
Member Savings Deposit	32,416	810
Gain from disposal of assets	6,338	517
Net Cash flows from Financing Activities	256,290	213,388
NET INCREASE/ (DECREASE) IN CASH	139,304	46,851
OPENING CASH BALANCE	232,762	185,910
CLOSING CASH BALANCE	372,066	232,762
Represented by:		
Samoa-based Accounts		
ANZ Bank - Cheque Account	-	3,732
ANZ Bank - Grameen Trust Account	115	163
ANZ Bank - Access Account	1,169	44,285
ANZ Bank - Term Deposit	65,917	66,482
ANZ Bank - Term Deposit (ST)	25,415	23,484
Westpac Bank Term Deposit (USD)	103,886	67,073
Westpac Bank Term Deposit	33,100	15,120
Westpac Bank - Savings Account	8,839	4,345
Westpac Bank - EURO Foreign Account	127,780	-
Petty Cash	275	275
New Zealand-based Account		
Bank of New Zealand	5,571	7,803
	372,066	232,762

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
Used Motor Vehicles	2-5 years	Straight line

(c) **Foreign Currency**

All amounts are expressed in New Zealand dollars. Transactions in local currency have been converted to New Zealand dollars at the monthly end exchange rates for the month in which they occurred. Liabilities in local 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:	2006	2005
NZD/ST	0.5134	0.5201
USD/NZD	1.4108	1.4721
EUR/NZD	1.8868	1.7664

(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 ended 31 December 2005 are provided for comparison.

(f) **Grants**

SPBD records all grants and donations in the income statement in the period they are received except for SPBD-USA grant totalling USD \$20k committed in 2006 but the actual transfer was received in January 2007.

2 CASH AND BANK BALANCES

	2006	2005
Samoa-based Accounts		
ANZ Bank - Access Account	1,169	44,285
ANZ Bank - Checking Account	-	3,732
ANZ Bank - Grameen Trust Account	115	163
ANZ Bank - USD Term Deposit *	65,917	66,482
ANZ Bank - ST Term Deposit *	25,415	23,484
Westpac Bank - USD Term Deposit *	103,886	67,073
Westpac Bank - ST Savings Term Deposits	33,100	15,120
Westpac Bank - Savings Account	8,839	4,345
Westpac Bank - EURO Foreign Account	127,780	
Petty Cash	275	275
New Zealand-based Account		
Bank of New Zealand	5,571	7,803
	<u>372,066</u>	<u>232,762</u>

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

3 LOANS RECEIVABLE

	2006	2005
Total Disbursements (Accumulative Since Inception)	6,999,462	4,953,868
Less: Repayments (Accumulative Since Inception)	(5,798,750)	(3,938,517)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(242,673)	(231,616)
Gross Loans Receivable	958,039	783,735
Less: Loan Contingency Reserve	(15,468)	(15,606)
Less: Loan Insurance Reserve	-	-
	942,571	768,129

Gross Loans Receivable

Ending Balance as at 31 December 2005		783,735
Add/Less: 2006 Transactions	WST	NZD
2006 Disbursements	3,765,329	2,045,593
2006 Repayments	(3,415,412)	(1,860,232)
Write-offs - Principal	(21,129)	(11,057)
Total		174,304
Balance as at 31 December 2006		958,039

4 RELATED PARTY TRANSACTIONS

Borrower	Principal balance	Term	Status
Staff	31,747	3 to 24 month:	Current

5 OTHER RECEIVABLES

	2006	2005
Prepaid insurance	4,018	3,238
Others (Deposit/Travel advance)	1,204	1,204
Interest due	1,056	9,427
Grant from SPBD-USA	28,678	
	34,956	13,869

6 OTHER CREDITORS AND ACCRUALS

Interest payable	12,085	7,427
Accrued expenses	12,218	22,325
	24,303	29,752

7 FIXED ASSETS

	Cost	Accumul. Deprec	Depreciation Charge	Net Book Value
31-Dec-06				
Office Equipment	12,887	8,550	1,100	4,337
Computers	65,850	52,501	8,894	13,349
Furniture and Fittings	15,034	13,571	854	1,463
Leasehold Improvements	11,194	11,194	-	-
Motor Vehicles	242,920	170,273	34,642	72,647
	347,885	256,089	45,490	91,797

	Cost	Accumul. Deprec	Depreciation Charge	Net Book Value
31-Dec-05				
Office Equipment	11,687	7,450	1,305	4,237
Computers	65,332	43,607	10,113	21,725
Furniture and Fittings	14,846	12,717	1,581	2,129
Leasehold Improvements	11,194	11,194	189	-
Motor Vehicles	191,690	135,631	23,553	56,059
	294,750	210,600	36,742	84,150

8 QUASI EQUITY (0-1% interest debt)

	2006	2005
Gregory F. Casagrande	1,416,083	1,489,712
SPBD-USA	155,191	184,015
Scott Gilmore	10,000	10,000
Kiva Micro funds	7,372	-
	<u>1,588,645</u>	<u>1,683,727</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 2006 is NZD\$1,416,083. The loan with Mr. Casagrande is governed by a Master Loan. Agreement, the major 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 2006 totalling to NZD \$67,500.

SPBD-USA

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 \$40,000 from 2004 to December 2005, reducing an outstanding balance by the end of 2005 to USD \$125,000. There were no additional loans acquired from SPBD-USA in 2006. SPBD then made further repayments of USD \$15,000 thereby further reducing the outstanding balance of 31 December 2006 to USD \$110,000 (NZD \$155,191). Final repayment will be made in the year 2008.

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. There is no fixed repayment date. Outstanding loan balance as of year end 2006 was NZD \$10,000.

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. In year 2006 Kiva Micro funds was able to raise USD \$5,200 (NZD \$7,372) in pooled loan in behalf of SPBD. This pooled loan is payable in 12 monthly amortization starting 31 January 2007. No repayments were made in this financial year, balance as at 31 December 2006 USD \$5,200 (NZD \$7,372) Funds raised by Kiva on a monthly basis in behalf of SPBD already nets out the monthly amortization due from SPBD.

8A SOFT LOANS (> 1% interest debt)

	2006	2005
Donald Hollander	1,540	1,560
PlaNet Finance	-	78,238
Deutsche Bank	162,245	132,491
Rabobank	70,755	88,332
CRESUD	129,611	73,606
OikoCredit	377,361	-
	<u>741,513</u>	<u>374,227</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. Average loan balance (quarterly) during 2006 was NZD \$1,540.

PlaNet Finance

SPBD has repaid back in full a loan of USD \$52,826 from PF in 2006, including interest accrued on the loan

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. Repayment of the full outstanding loan amount to be done in May 2007. Outstanding loan balance as of year end 2006 was USD \$115,000 (NZD \$162,245).

	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in NZD
Original loan USD	2%	31-Dec-06	90,000	-	-	90,000	
Renewed loan USD	2%	1-May-07	90,000	25,000	-	115,000	162,245

RABOBANK FOUNDATION

SPBD received a EURO \$50,000 loan from Rabobank Foundation in March 2005 with an interest rate of 5% per annum. Two Principal payment of EURO \$12,500, were made bringing the total outstanding balance as of 31 December 2006 to EURO \$37,500 (NZD \$70,755).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in NZD
Loan	EURO	5%	31-Dec-09	50,000	-	12,500	37,500	70,755

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 to be made by December 2007, and the final repayment to made on 31 December 2008. Outstanding loan balance as of 31 December 2006 is NZD \$129,611.

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in NZD
1st Loan	USD	9.50%	31-Dec-07	50,000	-	25,000	25,000	35,271
2nd Loan	EURO	8.50%	31-Dec-08	-	50,000	-	50,000	94,340
Total				50,000	50,000	25,000	75,000	129,611

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 2006 was EURO \$200,000 (NZD \$377,361).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in NZD
1st tranche	EURO	10.00%	31-May-11	-	100,000	-	100,000	
2nd Loan	EURO	10.00%	31-May-11	-	100,000	-	100,000	
Total					200,000	-	200,000	377,361

9 COMMERCIAL LOANS

	Loan	OD	31-Dec-06 \$	31-Dec-05 \$
Westpac Bank	-	212,374	212,374	136,396
ANZ Bank	176,610	12,186	188,796	175,716
Total	176,610	224,560	401,170	312,112

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.

2006 Facility	Credit limit	Credit limit	Available	Form of Security	Amount of Security
	ST	NZD	Balance NZD		
Overdraft facility Acct. No 200052213	372,000	190,985	189,003	DB Funds	USD 70,000
Overdraft facility Acct. No 2000119731	46,000	23,616	23,371	HSBC SBLC	GBP 10,000
	<u>418,000</u>	<u>214,601</u>	<u>212,374</u>		

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;

2006 Facility	Credit limit	Credit limit	Available	Form of Security	Amount of Security
	ST	NZD	Balance NZD		
Overdraft facility account	100,000	51,340	12,186	Unsecured	Nil
Loan Account 1 (interest only)	254,000	130,404	130,404	DB Funds	USD 45,000
Loan Account 2 (interest only)	90,000	46,206	46,206	SPBD TD	ST 49,506
Loan Account 3 (interest only)	69,502	35,682	-	Cresud SBLC	USD 25,000
	<u>513,502</u>	<u>263,632</u>	<u>188,796</u>		

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 2007.

10 GRANTS

SPBD received a grant of \$900 (pounds) from the Fund the Future Organization, based in Bristol England in 2006. SPBD USA has already committed USD \$20,000 grant to be sent to SPBD in 2006, but due to communication breakdown, SPBD received this money in January 2007. Total grants for 2006 is NZD \$30,859.

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 member can open up a savings account with a minimum ST\$10 deposit. Account opening is compulsory for second-cycle or higher loan members, but actual deposits are voluntary. SPBD deposits collected savings daily in a segregated bank account at Westpac Bank. 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.

	31-Dec-06	31-Dec-05
Westpac bank	33,617	15,163
Total	<u>33,617</u>	<u>15,163</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.

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. 2006 Write-Offs

Loan Type	# of Loans	Write off NZD	Amount as % of Loan Portfolio
Loan Insurance	3	1,971	0.21%
Loan Loss	60	9,086	0.95%
Total	63	11,057	1.16%

The decision as to which loans to write off in 2006 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, 2006.

C. Movement in Loan Loss Reserves

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

NZD	2006	2005
Loan Loss Reserve - January 1, 2006	15,606	3,752
Loan Loss Expense for the Year (refer to R & E)	8,948	19,843
Loans written off in 2006 (refer to B above)	9,086	7,989
Loan Loss Reserve - December 31, 2006 (refer to Note 3)	15,468	15,606

Movement in Insurance Loan Loss Reserves

	2006	2005
Loan Loss Reserve - January 1, 2006	-	-
Loan Loss Expense for the Year (refer to R & E)	1,971	751
Loans written off in 2005 (refer to B above) - 2006	1,971	751
Insurance Loan Loss Reserve - Dec 31, 2006	-	-

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 2006

Loan Type	# of Loans	Principal Amount	Amount as % of Total Portfolio
Group loans	3,592	2,018,790	99%
Staff loans	101	26,803	1%
Total	3,693	2,045,593	100%

Loans Disbursed during 2005

Loan Type	# of Loans	Principal Amount	Amount as % of Total Portfolio
Group loans	3,648	1,677,364	98%
Staff loans	155	42,603	2%
Total	3,803	1,719,967	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.

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
 ADDITIONAL DISCLOSURE FOOTNOTES
 FOR YEAR ENDING 31 DECEMBER 2006**

E. Portfolio Quality (cont'd)

Loan Types	31-Dec-06		31-Dec-05	
	Outstanding Principal Balance		Outstanding Principal Balance	
	Amount \$	Portfolio-at-Risk %	Amount \$	Portfolio-at-Risk %
Group Loans & Flexis				
Current	890,867		690,142	
1-4 weeks late	21,567		42,740	
5-8 weeks late	3,068		7,813	
9-12 weeks late	1,731		3,923	
13-16 weeks late	266		1,360	
17-20 weeks late	329		1,946	
over 21 weeks late	6,647		4,158	
Sub-total	12,041	1.30%	19,199	2.45%
Staff Loans				
Current	28,521		27,587	
over 4 weeks in arrears	3,226	10.16%	4,067	0.52%
Grand Total	956,222	1.60%	783,735	2.97%

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 2006 represent unpaid loans of five staff who left in 2004/2005. All 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:

	2006	2005
Number of outstanding loan accounts	2,366	2,331

G. Savings Accounts

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

	2006	2005
	2,287	1,686