SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

2008 Annual Report

Apia, Samoa, South Pacfic

5-Apr-09

South Pacific Business Development
Pacific Buildings, Saleufi
PO Box 1614, Apia, Samoa
Tel: 685 20-189; Fax: 685 26-208
Email: luapene@spbd.ws

Savaii Satellite Office:
Main Road, Salelologa, Samoa
Tel. No. 685 51-436

Tuuina Atu O Avanoa Mo Se Taeao Manuia

3 April 2009

To: All of our friends
From: Greg Casagrande, President of SPBD
Re: Summary of SPBD's Operating Performance in 2008

Warm greetings from Samoa!

Now that SPBD's 2008 Year End Audited Financial Statements are complete, I'd like to take a moment and share with you some of the highlights of 2008 for SPBD. By almost any metric it was our best year yet.

Key SPBD Operating Metrics - 2006, 2007, 2008

	2006	2007	2008
Lending Stats	ST$	ST$	ST$
Loans Disbursed (ST$)	$3,765,329	$4,777,604	$5,045,385
Loan Repayments collected (ST$ - Principal)	$3,415,412	$4,231,424	$4,728,907
Total Portfolio outstanding at year end	$1,765,048	$2,296,218	$2,602,588
PAR > 30 days	1.60%	2.22%	1.96%
Income Statement Stats			
Operating Revenue	$ 745,542	$1,213,279	$1,422,156
Net Profit	$ (58,432)	$ 167,100	$ 227,151
Normalized Net Profit (ex-grants, FX gain/loss) - ST$	$ (147,811)	$ 105,238	$ 136,412
Normalized Net Profit - % of portfolio	-8.37%	4.58%	5.24%
Misc			
Islands covered	1	1	3
Savings on Deposit with SPBD	$65,479	$283,839	$466,495

The numbers, as you can see above, were good. We grew our loan disbursements and our portfolio. Our portfolio quality remained excellent and our revenues and profits also grew nicely. Our members also began to save in much larger amounts reflecting their own increased prosperity.

Not only did SPBD expand in terms of pure outreach in 2008, but we also expanded geographically and for the first time we began to operate outside of the island of Upolu. In February we set up an office and hired staff to cover the big island of Savaii. Savaii is fully rural and is taking to the SPBD suite of micro-enterprise development services very quickly. We also began to offer our services on the island of Manono. Manono is a small isolated island with no roads. There are six villages on the island, all connected by a walking path that goes around the island. SPBD staff now visit Manono once a week and are working with over 100 women on the island.

During 2008 SPBD also coordinated with Digicel, the private mobile phone operator of Samoa, and provided 1,000 cell phones free of charge to SBPD's top performing micro-entrepreneurs. For the first time ever, every single village in Samoa is now connected by cell phone.

SPBD was in the news frequently in 2008. The Prime Minister of Samoa, The Hon Tuilaepa presided over SPBD's Annual Business Women of the Year Awards Event. The Hon Deputy Prime Minister Misa Telefoni led the ceremonies surrounding the opening of SPBD's offices in Savaii. The media took quite a bit of interest in SPBD throughout the year and profiled a number of successful SBPD micro-entrepreneurs. One SPBD micro-entrepreneurs was even flown to the USA by Kiva and spoke at events in Los Angeles, Philadelphia and New York City. She was a hit. And the year ended with my being named Person of the Year in Samoa on New Years Eve. That honor of course belongs to the thousands of successful micro-entrepreneurs spread throughout Samoa that have made themselves and SPBD a success.

In 2009 SPBD will continue to grow in Samoa by reaching out and helping new micro-entrepreneurs as well as by extending our line of products and services that we provide to them. SPBD also plans to launch a sister microfinance organization in the Kingdom of Tonga this year – SPBD Microfinance Ltd – Tonga. That initiative is already taking shape.

If you have the opportunity to come visit us in Samoa, then please let us know and feel free to do so.

All the very best and Fa'a soifua,

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

AUDITED FINANCIAL STATEMENTS

FOR PERIOD ENDING 31 DECEMBER 2008

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS

FOR PERIOD ENDING 31 DECEMBER 2008

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Betham & Co.

certified public accountants

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 2008 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, 2008, 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

BETHAM & CO.
Certified Public Accountants
Apia
Date 31 March 2009

Cnr Vaitele Street and Togafuafua Road, Lalovaea. POBox 859, Samoa.
Telephone +(685) 24337/24545 or facsimilie +(685) 24336.

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
BALANCE SHEET
AS AT 31 DECEMBER 2008

ACCUMULATED FUNDS	**Notes**	**WST ($) 2008**	**WST ($) 2007**
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	-
		(2,291,059)	**(2,518,210)**
Represented by:			
CURRENT ASSETS			
Cash on Hand and at Bank	2	741,633	1,461,565
Loans Receivable	3	2,602,588	2,296,218
Other Receivables	5	18,382	26,740
		3,362,602	3,784,523
CURRENT LIABILITIES			
Other Creditors and Accruals	6	81,335	53,518
Member Saving Deposits	11	466,495	283,839
		547,829	337,357
WORKING CAPITAL		2,814,773	3,447,166
FIXED ASSETS	7	204,645	254,432
TERM LIABILITIES/QUASI EQUITY			
Soft Loans/Quasi Equity	8	5,104,256	6,220,192
Commercial Loans	9	206,221	(383)
		(2,291,059)	**(2,518,210)**

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

Gregory F. Casagrande
PRESIDENT

31-Mar-09
Date

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF REVENUES AND EXPENDITURES
FOR YEAR ENDING 31 DECEMBER 2008

	Notes	WST ($) 2008	WST ($) 2007
REVENUE			
Interest from Loans		1,283,344	1,080,954
Insurance on Loans		129,925	120,268
Loan Recoveries		-	7,596
Savings Fees		8,886	4,461
Operating Revenues Sub-Total		**1,422,156**	**1,213,279**
Grants		22,750	64,912
Interest on Bank Accounts and Term Deposits		25,840	28,127
Miscellaneous income		2,778	2,765
Donations - Womens Award 2008		7,200	9,500
Gain on disposal		-	42,250
Non-Operating Revenues Sub-Total		**58,568**	**147,554**
Total Revenues		**1,480,724**	**1,360,833**
EXPENDITURES			
Accident Compensation Board		3,183	3,105
Annual Events - Womens Award		15,245	12,232
Bank Charges		12,027	12,321
Collection Fees - Delinquent Loans		5,292	(3,055)
Communications		25,308	20,736
Depreciation	7	103,412	103,856
Insurance		13,509	17,528
National Provident Fund		15,558	14,282
Office Expense		11,620	1,849
Other Expenses		18,497	14,018
Printing and Stationeries		44,592	43,252
Professional Services		82,347	5,875
Public Relations		2,170	3,241
Rental Expenses		73,283	51,888
Repairs and Maintenance		25,291	36,243
Salaries and Wages		479,935	470,918
Savaii Launching		6,875	17,856
Taxes and Fees		4,189	510
Training		44,157	-
Transportation		63,311	52,315
Travel		103,102	19,641
Operating Expenditures Sub-Total		**1,152,905**	**898,612**
Interest Expenses		118,977	130,766
Interest on Overdraft Facilities		3,754	12,305
Loan loss provision		3,133	10,014
Insurance loss provision		6,976	4,995
Savings loss provision	5	-	51,348
Foreign Exchange (Gain)/Loss		(32,172)	85,693
Total Expenditures		**1,253,573**	**1,193,733**
Net Income/Loss		227,151	167,100
Transfer to Accumulated Funds		**227,151**	**167,100**

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

Analytics

Normalized Profit (Operating Revenue) - (Total Expenditures less FX)	136,412	105,238
Normalized Profits as a % of portfolio	5.2%	4.6%

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOWS
FOR YEAR ENDING 31 DECEMBER 2008

	WST ($) 2008	WST ($) 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Loan Principal Repayments	4,728,907	4,231,424
Loan Interest Repayments	1,283,344	1,080,954
Loan Recoveries	-	7,596
Loan Insurance	129,925	120,268
Miscellaneous income	2,778	2,765
Interest from Bank	25,840	28,127
Savings fees	8,886	4,461
Cash was applied to:		
Loans Disbursements	(5,045,385)	(4,777,604)
Payments to Suppliers and Employees	(1,048,645)	(794,440)
Other Receivable	27,908	(6,993)
Net Cash flows from Operating Activities	**113,559**	**(103,441)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(53,625)	(134,968)
Net Cash flows from Investing Activities	**(53,625)**	**(134,968)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Soft Loans/Quasi Equity	1,807,176	2,489,469
Loan Repayment - Soft Loans	(2,955,086)	(1,648,897)
Commercial Loans	206,220	-
Grants	22,750	54,912
Interest Paid on Loans	(120,866)	(122,442)
Member Savings Deposit	259,939	160,000
Gain from disposal of assets	-	42,250
Net Cash flows from Financing Activities	**(779,867)**	**975,292**
NET INCREASE/ (DECREASE) IN CASH	(719,934)	736,882
OPENING CASH BALANCE	1,461,565	724,682
CLOSING CASH BALANCE	**741,633**	**1,461,565**

Represented by:

Samoa-based Accounts		
ANZ Bank - Cheque Account	-	404,928
ANZ Bank - Term Deposit	140,158	125,751
ANZ Bank - Term Deposit (ST)	55,702	52,452
Westpac Bank Term Deposit (USD)	114,909	399,563
Westpac Bank Term Deposit - Savings Account	199,199	189,669
Westpac Bank - USD Operating Account	119,852	128,019
Westpac Bank - Savings Account	106,078	35,310
Westpac Bank - EURO Foreign Account	1,044	5,037
Westpac Bank - EURO Foreign Account TD	-	106,142
Petty Cash	707	507
New Zealand-based Account		
Bank of New Zealand	3,984	14,187
	741,633	**1,461,565**

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:		**2008**	**2007**
	NZD/WST	0.5736	0.5010
	USD/WST	0.3358	0.3824
	EUR/WST	0.2347	0.2583

(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 staff trainings and are recognised in the period in wl 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 ninth year since SPBD started its operations. The audited figures for the year then ended 31 December 2008 has been converted into Samoan Tala amount and provided herewith for comparison.

2 CASH AND BANK BALANCES

	2008	2007
	$	$
Samoa-based Accounts		
ANZ Bank - Checking Account	-	404,928
ANZ Bank - USD Term Deposit *	140,158	125,751
ANZ Bank - ST Term Deposit *	55,702	52,452
Westpac Bank - USD Term Deposit *	114,909	399,563
Westpac Bank - USD Account	119,852	128,019
Westpac Bank - ST Savings Term Deposits	199,199	189,669
Westpac Bank - Savings Account	106,078	35,310
Westpac Bank - EURO Foreign Account	1,044	5,037
Westpac Bank - EURO Foreign Account TD	-	106,142
Petty Cash	707	507
New Zealand-based Account		
Bank of New Zealand	3,984	14,187
	741,633	**1,461,565**

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

3 LOANS RECEIVABLE

	2008	2007
	$	$
Total Disbursements (Accumulative Since Inception)	22,928,830	17,883,445
Less: Repayments (Accumulative Since Inception)	(19,822,053)	(15,093,146)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(486,626)	(472,019)
Gross Loans Receivable	**2,620,150**	**2,318,279**
Less: Loan Contingency Reserve	(17,562)	(22,061)
	2,602,588	**2,296,218**
Gross Loans Receivable		
Beginning balance	**2,318,279**	**1,792,603**
Add/Less: 2008 Transactions		
2008 Disbursements	5,045,385	4,777,604
2008 Repayments	(4,728,907)	(4,231,424)
Write-offs - Principal	(14,607)	(20,503)
Total	**301,871**	**525,676**
Balance as at 31 December 2008	**2,620,150**	**2,318,279**

4 RELATED PARTY TRANSACTIONS

Borrower	Balance	Term	Status
Staff	81,248	3 to 24 months	Current

The above balance of $81,248 for Related Party Transactions is included in the balance of $2,602,588 for Loans Receivable in note 3 above.

5 OTHER RECEIVABLES

	2008	2007
	$	$
Prepaid insurance	2,611	7,336
Others (Deposit/Travel advance)	4,031	3,296
Interest due	11,642	16,109
Employee Receivable	51,446	51,348
Less: Provisioning	(51,348)	(51,348)
	18,382	**26,740**

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

	2008	2007
Interest payable	13,503	21,168
Accrued expenses & Other Payables	67,832	32,350
	81,335	**53,518**

7 FIXED ASSETS

2008	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
	823,886	**619,241**	**103,412**	**204,645**

2007	Cost	Accum. Deprecn	Deprecn 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
	770,261	**515,828**	**103,856**	**254,432**

8 QUASI EQUITY (0-1% interest debt)

	2008	2007
	$	$
Gregory F. Casagrande	1,843,601	2,514,594
SPBD-USA	163,788	209,205
Scott Gilmore	-	19,798
Kiva Micro funds	1,584,934	1,595,523
	3,592,324	**4,339,120**

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 2008 is NZD $955,000 (WST $1,664,923) and USD $60,000 (WST $178,678) 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 2008 was NZD $200,000 and USD $20,000, thus reducing loan balances as of December 31, 2008 to NZD $955,000 and USD $60,00

8 QUASI EQUITY (0-1% interest debt) cont'd

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. MicroDreams has also provided SPBD with a total of USD $135,000 in grants since 2002. There were no additional loans acquired from SPBD-USA in 2007. SPBD has continously made quarterly repayments to SPBD USA and the final outstanding loan balance has been reduced to USD $55,000 at the end of December 2008 (WST $ 163,788)

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 has been fully repaid back in the first quarter 2008

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 $1,609,725 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 $1,077,504, thus reducing an outstanding balance by December 31, 2008 to USD $532,221 (WST $ 1,584,934)

8A SOFT LOANS (> 1% interest debt)

	2008	2007
	$	$
Donald Hollander	-	3,000
Rabobank	53,259	120,983
CRESUD	85,215	154,859
OikoCredit	473,458	602,230
Jasmine Charitable Trust (Sam Morgan)	900,000	1,000,000
	1,511,933	**1,881,071**

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 principal amount of loan and interest was fully repaid back in the third quarter, 2008

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 2008 amount EURO $18,750, and the outstanding loan balance by 31 December 2008 was EURO $12,500 (WST $53,259).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST ($)
Loan	EURO	5%	31-Dec-09	31,250	-	18,750	12,500	53,259

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 was made 2007. CRESUD S.p.A further provided a loan of USD $25,000 in 2006 with the 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.

	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	40,000.00	-	20000	20,000	85,215
Total				65,000	-	45,000	20,000	85,215

8A SOFT LOANS (cont'd)

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 2008 was EURO $111,112 (WST $473,458).

	Currency	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST ($)
1st tranche	EURO	10.00%	31-May-11	55,556	-	44,444	11,112	
2nd Loan	EURO	10.00%	31-May-11	100,000.00	-	-	100,000	
Total					-	44,444.00	111,112	473,458

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. The first principal loan repayment of WST $100,000 was made in October 2008, thus reducing an outstanding loan balance to WST $900,000 as of 31 December 2008

	% rate p.a	Maturity date	Beginning Balance	Availment Balance	Repayments	Ending Balance	Amount in WST ($)
1st tranche	7.00%	1-Jan-11	500,000	-	100,000	400,000	
2nd tranche	7.00%	1-Jan-11	500,000	-	-	500,000	
Total				-	-	900,000	900,000

9 COMMERCIAL LOANS / OVERDRAFT

	Loan $	OD $	2008 $	2007 $
Westpac Bank	-	191,022	191,022	(383)
ANZ Bank		15,198	15,198	-
Total	**-**	**206,221**	**206,221**	**(383)**

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.

2008 Facility	Credit limit ST	Credit limit NZD	Available Balance WST	Form of Security	Amount of Security
Overdraft facility Acct. No 200052213	372,000	-	372,000	TD USD	USD 40,540
Overdraft facility Acct. No 2000119731	46,000	-	46,000	HSBC SBLC	GBP 10,000
	418,000	**-**	**418,000**		

These facilities will be reviewed again on November 1, 2008

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;

2008 Facility	Credit limit ST	Credit limit NZD	Available Balance WST	Form of Security	Amount of Security
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.

10 GRANTS

SPBD received another grant of WST $22,750 from Jasmine Charitable Trust in 2008 in order to make up a total amount approved for staff development training. Staff received two series of training in 2008, one in April and a follow up training in December 2008. The final examination for each topics was taken in December, and the certificates of attainment will be presented in the first quarter 2009 after a final marking and assessment is done from PNG.

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 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.

	2008	**2007**
	$	**$**
WESTPAC	305,277	225,621
ANZ	161,218	58,218
Total	**466,495**	**283,839**

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. 2008 Write-Offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	32	6,976	0.27%
Loan Loss	21	7,631	0.29%
Total	**53**	**14,607**	**0.56%**

The decision as to which loans to write off in 2008 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 before January 2008.

C. Movement in Loan Loss Reserves

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

WST	2008	2007
Loan Loss Reserve - January 1, 2008	22,061	27,555
Plus: Additional reserve in 2008	10,108	-
Loan Loss Expense for the Year (refer to R & E)	6,976	10,014
Loans written off in 2008 (refer to B above)	7,631	15,509
Loan Loss Reserve - December 31, 2008 (refer to Note 3)	17,562	22,061

Movement in Insurance Loan Loss Reserves

	2008	2007
Loan Loss Reserve - January 1, 2008	-	-
Loan Loss Expense for the Year (refer to R & E)	6,976	4,995
Loans written off in 2007 (refer to B above) - 2007	6,976	4,995
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 exculsively 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 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%

Loans Disbursed during 2007

Loan Type	# of Loans	Principal Amount	Amount as % of Total Portfolio
Group loans	3,902	4,678,240	99%
Staff loans	33	99,364	1%
Total	3,935	4,777,604	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-08			31-Dec-07		
	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	2,416,247			2,140,269		
1-4 weeks late	82,193			55,961		
5-8 weeks late	22,452	22,452		17,576	17,576	
9-12 weeks late	6,436	6,436		7,804	7,804	
13-16 weeks late	2,345	2,345		2,906	2,906	
17-20 weeks late	3,202	3,202		9,410	9,410	
over 21 weeks late	6,024	6,024		6,907	6,907	
Sub-total	**40,460**	**40,460**	**1.59%**	**44,603**	**44,603**	**1.98%**
Staff Loans						
Current	70,448			70,514		
over 4 weeks in arrears	**10,800**	**10,800**	**13.29%**	**6,930**	**6,930**	**8.95%**
Grand Total	**2,620,150**	**51,260**	**1.96%**	**2,318,279**	**51,535**	**2.22%**

SPBD defines portfolio at risk (PAR) as:

$$\frac{\text{Outstanding principal amount of all loans that have one or more instalments of principal past due by 30 days}}{\text{Gross Loan Portfolio}}$$

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 2008 represent unpaid loans of seven staff who left in 2004 - 2008. 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:

	2008	2007
Number of outstanding loan accounts	4,162	3,687

G. Savings Accounts

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

	2008	2007
	5,995	4,526

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.