

SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS

FOR PERIOD ENDING 31 DECEMBER 2005

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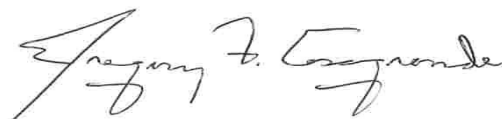
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**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
BALANCE SHEET
AS AT 30 DECEMBER 2005**

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ACCUMULATED FUNDS	Notes	NZD (\$) 31-Dec-05	NZD (\$) 31-Dec-04
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)	-
		<u>(1,316,071)</u>	<u>(1,265,669)</u>
Represented by:			
CURRENT ASSETS			
Cash on Hand and at Bank	2	232,762	185,910
Loans Receivable	3	768,129	644,930
Other Receivables	5	13,869	2,190
		<u>1,014,759</u>	<u>833,030</u>
CURRENT LIABILITIES			
Other Creditors and Accruals	6	29,752	19,122
Member Saving Deposits	11	15,163	20,673
		<u>44,914</u>	<u>39,795</u>
WORKING CAPITAL		969,845	793,234
FIXED ASSETS	7	84,150	54,613
TERM LIABILITIES/QUASI EQUITY			
Soft Loans/Quasi Equity	8	2,057,954	1,789,456
Commercial Loans	9	312,112	324,060
		<u>(1,316,071)</u>	<u>(1,265,669)</u>

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



Gregory F. Casagrande
PRESIDENT

7-Apr-06
Date

**SOUTH PACIFIC BUSINESS DEVELOPMENT FOUNDATION
STATEMENT OF REVENUES AND EXPENDITURES
FOR PERIOD ENDING 31 DECEMBER 2005**

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	Notes	NZD (\$) 31-Dec-05	NZD (\$) 31-Dec-04
REVENUES			
Interest from Loans		304,270	208,826
Insurance on Loans		39,452	31,954
Loan Recoveries		8,950	13,200
Savings Fees		1,683	639
Operating Revenues Sub-Total		354,356	254,620
Grants	10	40,716	71,754
Interest on Bank Accounts/Term Deposits		3,919	1,643
Miscellaneous Income		909	555
Gain on Disposal		517	-
Non-Operating Revenues Sub-Total		46,061	73,952
Total Revenues		400,417	328,572
EXPENDITURES			
Salaries and Wages		144,352	135,543
Transportation		37,787	38,268
Depreciation	7	36,742	33,724
Repairs and Maintenance		24,998	30,473
Rental Expenses		18,916	14,783
Communications		11,621	11,369
Other Expenses		12,526	16,691
Travel		8,555	16,665
Printing and Stationeries		8,012	11,335
Collection Fees - Delinquent Loans		7,388	1,803
National Provident Fund		6,116	5,905
Insurance		6,903	4,767
Bank Charges		3,986	6,666
Public Relations		3,776	2,558
Office Expense		2,083	1,541
Accident Compensation Corporation		1,385	1,085
Taxes and Fees		263	577
Professional Services		3,069	3,002
Operating Expenditures Sub-Total		338,478	336,753
Interest Expenses		32,898	30,271
Interest on Overdraft Facilities		14,248	21,346
Loan Loss Provision		19,843	6,794
Insurance Loss Provision		2,865	751
Foreign Exchange (Gain)/Loss		42,487	(31,909)
Total Expenditures		450,819	364,007
Net Income/Loss		(50,402)	(35,435)
Transfer to Accumulated Funds		(50,402)	(35,435)

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 CASHFLOWS
FOR PERIOD ENDING 31 DECEMBER 2005**

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	NZD (\$) 31-Dec-05	NZD (\$) 31-Dec-04
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Loan Principal Repayments	1,574,080	994,020
Loan Interest Repayments	295,709	210,652
Loan Recoveries	8,950	13,200
Loan Insurance	39,452	31,954
Miscellaneous Income	909	5,590
Interest from Bank	3,919	1,643
Savings Fees	1,683	-
Cash was applied to:		
Loans Disbursements	(1,719,986)	(1,366,032)
Payments to Suppliers and Employees	(301,736)	(303,029)
Other Receivable	(3,238)	0
Net Cashflows from Operating Activities	(100,258)	(412,002)
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(66,279)	(10,777)
Net Cashflows from Investing Activities	(66,279)	(10,777)
CASHFLOWS FROM FINANCING ACTIVITIES		
Soft Loans/Quasi Equity	291,429	374,328
Loan Repayment - Soft Loans/Overdrafts	(98,049)	(207,540)
Commercial Loans	23,925	298,851
Grants	40,716	71,308
Interest Paid on Loans	(45,960)	(47,239)
Member Saving Deposits	810	20,673
Gain from Disposal	517	-
Net Cashflows from Financing Activities	213,389	510,381
NET INCREASE/ (DECREASE) IN CASH	46,852	87,602
OPENING CASH BALANCE	185,910	98,308
CLOSING CASH BALANCE	232,762	185,910
Represented by:		
Samoa-based Accounts		
ANZ Bank - Chequing Account	3,732	-
ANZ Bank - Grameen Trust Account	163	220
ANZ Bank - Access Account	44,285	512
ANZ Bank - Term Deposit	66,482	88,372
ANZ Bank - Term Deposit (ST)	23,484	-
WESTPAC Bank - Term Deposit	67,073	89,639
WESTPAC Bank - Term Deposit	15,120	3,047
WESTPAC Bank - Savings Account	4,345	-
Petty Cash	275	275
New Zealand-based Account		
Bank of New Zealand	7,803	3,845
	232,762	185,910

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 revenue and expenditures as foreign exchange gain or loss.

	31/12/05	31/12/04
Exchange rate used as at 31 December 05 ST/NZD	0.5201	0.5108
USD/NZD	1.47212	1.382035
EUR/NZD	1.76644	1.919579

(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 Sixth year since SPBD started its operations. The audited figures for year ended 31 December 2004 are provided for comparison.

(f) **Grants**

SPBD records all grants and donations in the income statement in the period they are received.

2 CASH AND BANK BALANCES

	31-Dec-05	31-Dec-04
Samoa-based Accounts		
ANZ Bank - Access Account	44,285	512
ANZ Bank - Checking Account	3,732	-
ANZ Bank - Grameen Trust Account	163	220
ANZ Bank - USD Term Deposit *	66,482	88,372
ANZ Bank - ST Term Deposit *	23,484	-
WESTPAC Bank - USD Term Deposit *	67,073	89,639
WESTPAC Bank - ST Savings Term Deposit	15,120	-
WESTPAC Bank - Savings Account	4,345	3,047
Petty Cash	275	275
New Zealand-based Account		
Bank of New Zealand	7,803	3,845
	232,762	185,910

* Letter of Charge given as security for Commercial Loan Facilities (see Notes 7 and 8)

3 LOANS RECEIVABLE	31-Dec-05	31-Dec-04
Total Disbursements (Accumulative Since Inception)	4,953,868	3,233,882
Less: Repayments (Accumulative Since Inception)	(3,938,517)	(2,364,438)
Less: Write-offs - Loans -Principal (Accumulative Since Inception)	(231,616)	(220,762)
Gross Loans Receivable	783,735	648,682
Less: Loan Contingency Reserve	(15,606)	(3,001)
Less: Loan Insurance Reserve	-	(751)
	768,129	644,930

Gross Loans Receivable

Ending Balance as at 31 December 2004			648,682
Add/Less: 2005 Transactions	WST	NZD	
2005 Disbursements	3,333,418	1,719,986	
2005 Repayments	(3,055,588)	(1,574,080)	
Write-offs - Principal	(20,887)	(10,854)	
			135,052

Balance as at 31 December 2005

783,735

4 RELATED PARTY TRANSACTIONS

Borrower	Principal balance	Term	Status
President	-		
General Manager	-		
Staff	31,654	3 to 24 months	Current

5 OTHER RECEIVABLES

	31-Dec-05	31-Dec-04
Prepaid Insurance	3,238	1,624
Others (Deposit/Travel Advance)	1,204	1,204
Interest Due	9,427	(638)
	13,869	2,190

6 OTHER CREDITORS AND ACCRUALS

Interest Payable	7,427	2,273
Accrued Expenses/Payables - ACC, NPF, Tax	22,325	16,849
	-	-
	29,752	19,122

7 FIXED ASSETS

31-Dec-05	Cost	Accumul. Deprec.	Depreciation Charge	Net Book Value
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

31-Dec-04	Cost	Accumul. Deprec.	Depreciation Charge	Net Book Value
Office Equipment	8,477	6,145	1,547	2,332
Computers	60,574	31,367	11,103	29,207
Furniture and Fittings	13,261	11,136	2,563	2,126
Leasehold Improvements	11,194	11,005	2,272	189
Motor Vehicles	134,964	114,205	16,239	20,759
	228,471	173,858	33,724	54,613

8 SOFT LOANS/QUASI EQUITY	31-Dec-05	31-Dec-04
Gregory F. Casagrande	1,489,712	1,503,217
SPBD-USA	184,015	145,128
Deutsche Bank	132,491	124,395
Rabobank	88,332	-
CRESUD	73,606	-
PlaNet Finance	78,238	-
Scott Gilmore	10,000	10,000
Donald Hollander	1,560	1,532
Grameen Trust	-	5,183
Total	2,057,954	1,789,456

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) in 2005 was NZD \$1,548.

Scott Gilmore

SPBD received two loans from Mr. Gilmore (NZD \$2,000 in 2001 and NZD \$8,000 in 2002) totaling NZD \$10,000 at 0% p.a. interest rate. There is no fixed repayment date. Average balance during 2005 was NZD10,000.

PlaNet Finance

SPBD received USD \$53,146 loan from the PlaNet Finance (calculated at the -equivalent of EURO \$40,000) in 2005. The loan was disbursed in two installments. The first installment of USD \$26,573 was received on February 9, 2005. The second installment of USD \$26,573 was received May 02, 2005. Repayment of principal and interest will take place one year after receipt of the installment namely February 9, 2006 and May 02, 2007. The interest rate for the loan is 5% p.a. Under the loan contract SPBD deposits the interest payable on a quarterly basis on a blocked account in the usual bank. Average loan balance (quarterly) during 2005 was USD \$46,503

Deutsche Bank

SPBD received a loan of USD \$90,000 from DB Microcredit Development Fund with a maturity date of November 9, 2005. The interest rate is 2% p.a. on the outstanding balance at the end of the year. The DB loan was secured in order to provide collateral to local banks (Westpac and ANZ) based on a 2:1 leverage funding structure whereby proceeds of this loan are 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 Note 8). This loan was extended until 31/1/06 in order to facilitate the renewal of existing credit facilities with Westpac and ANZ Banks. Both facilities have since been renewed until 31/1/07. Average loan balance (quarterly) during 2005 was USD \$90,000.

SPBD-USA

In 2005, SPBD-USA provided SPBD an additional soft loan of USD40,000 at 1% interest. This is in addition to the current outstanding balance of USD85,000 issued to SPBD-Samoa in 2001 to 2004, that are to be repaid in full in 2007 and 2008. Principal of the new loan to be repaid in 8 quartely repayments (USD\$5k) beginning March 31, 2007 finishing December 2008. Average balance (quarterly) during 2005 was USD \$102,500.

RABOBANK FOUNDATION

SPBD received a EURO \$50,000 loan from Rabobank Foundation in March 2005. The loans is for 5 years with a one year principal repayment grace period and then eight equal semi annual repayment thereafter. The interest rate

is 5% payable half yearly. Average balance (quarterly) during 2005 was EURO \$50,000.

SOFT LOANS/QUASIEQUITY (cont'd)

Gregory F. Casagrande

This is a long term, low 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 2005 is NZD \$1,489,712. The loan with Mr. Gasagrande 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.

Cresud

SPBD received a loan of USD\$50,000 from CRESUD S.p.A. on 29 July 2005 for a term of 3 years at 9.5% interest per annum. There is a one year grace period after which there are four semi annual loan repayments. Average balance during 2005 (quarterly) was USD 50,000.

9 COMMERCIAL LOANS

		31-Dec-05	31-Dec-04
	Loan	OD	\$
WESTPAC Bank		136,396	123,573
ANZ Bank	175,716	-	200,487
Total	175,716	136,396	312,112

SPBD has the above facilities with Westpac and ANZ Banks. The overdraft facility with Westpac bank and the term loan with ANZ bank are partly secured by funds from Deutsche Bank which are held as term deposits of USD45,000 each at both banks. Refer Note 2. In addition, ANZ has provided an unsecured loan of ST \$90,000, and unsecured OD Facility of ST \$100,000 and a Stand By Letter of Credit Facility of USD \$25,000. The Westpac OD limit as at 31/12/05 is ST\$242,000, and ANZ Term Loan (1 year) is ST \$344,000.

10 GRANTS

SPBD received a grant of £\$900 (pounds) from the Fund the Future Organization, and WST \$27,988 from the US Embassy, WST \$16,485 from the British High Commission, for recruiting more members and starting new businesses in the first quarter of 2005. SPBD also received a grant of USD \$10,000 from SPBD USA in December 2005. Total grants for 2005 is NZD\$40,716.

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-05	31-Dec-04
Westpac Bank	15,163	20,673
Total	15,163	20,673

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.