SPBD MICROFINANCE (SAMOA) LTD.

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

The Board of Directors ("BOD") submits its report and the audited financial statements of SPBD Microfinance (Samoa), Ltd. ("SPBD") for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of SPBD is to improve the quality of life of families living in poverty by providing unsecured credit, training, and on-going motivation and guidance to help them start, grow and maintain micro and SME businesses, build assets, as well as, finance home improvements and childhood education. Its corporate vision is to create a network of micro-enterprise development organizations in the South-Pacific and neighbouring regions to empower women through financial access and economic development to help lift themselves and their families permanently out of poverty and improve self-esteem.

SPBD also provides a comprehensive Financial Education program (FEP) to provide meaningful and practical financial education to all its clients. Currently more than 8,000 of our valued clients go through weekly financial education training. This training helps them to manage their economic life better.

RESULTS

The results of operation for the year ended 31 December 2019 are set out in the income statement. SPBD made a pre-tax profit of WST $1,426,582.13 for the year.

THE BOARD OF DIRECTORS

The members of the BOD during the period and at the date of the report are:

• Gregory F Casagrande, USA	Chairman
• James Young, USA	Director
• Ajay Verma, SPBD Solomon Islands	Director
• Luapene Lefau, SPBD Samoa	Director

DIVIDEND

The Directors recommend that no dividend be paid on general stock.

OTHER DISCLOSURES

The Company is a limited liability company incorporated and domiciled in Samoa. The address of its registered office is 1st Floor A1.3, NPF Plaza, Savalalo, Apia, Samoa. The postal address is PO Box 1614 and it is located at Apia, Samoa.

RESPONSIBILITIES OF THE BOD IN RESPECT OF THE FINANCIAL STATEMENTS

The BOD is responsible to ensure that the financial statements are properly drawn up, so as to give a true and fair view of the financial position of SPBD as at 31 December 2019, and of the results of its operations for the period then ended. In preparing these financial statements, the BOD is required to:

- **i.** Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and apply them consistently,
- **ii.** Maintain adequate accounting records and an effective system of internal controls;
- **iii.** Prepare the financial statements on a going concern basis unless it is inappropriate to assume that SPBD will continue operation in the foreseeable future;
- **iv.** Set overall policies for SPBD, ratify all decisions and actions by the management that have a material effect on the operation and performance of SPBD, and ensure they have been properly reflected in the financial statements.

The BOD confirms that SPBD has complied with these requirements in preparing the financial

statements. On behalf of the Board of Directors,

Gregory F. Casagrande
Chairman
Date: 17 March 2020

Tel: +685 24 337
Fax: +685 24 336
www.bdo.ws

BDO
Vaitele St Lalovaea.
PO Box 859
Apia Samoa

INDEPENDENT AUDITOR'S REPORT

To the Members of South Pacific Business Development Microfinance (Samoa) LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SPBD Microfinance (Samoa) Ltd, which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of financial performance, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Samoa, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO
Chartered Accountants

Hanalei Betham
Partner

Apia
SAMOA
17 March 2020

SPBD MICROFINANCE (SAMOA) LTD.
BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	31-Dec-19 WST ($)	31-Dec-18 WST ($)
ASSETS			
Cash on Hand and at Bank	4	2,449,523	2,264,773
Loans Receivables	5	17,562,457	14,484,802
Other Receivables	6	311,046	316,744
Goodwill	7	979,183	979,183
Property and Equipment	8	588,833	495,438
TOTAL ASSETS		**21,891,043**	**18,540,940**
LIABILITIES			
Other Creditors and Accruals	9	428,148	94,003
Reserve for Member Death Benefit	10	30,000	20,000
Reserve for Spousal Death Benefit	10	30,000	20,000
Member Savings Deposits	11	904,971	840,657
Borrowings	12	15,621,911	13,913,488
Leases	13	183,228	-
TOTAL LIABILITIES		**17,198,258**	**14,888,148**
EQUITY & RESERVES			
Paid-in-Capital	14a	303,972	303,972
Retained Earnings	14b	4,388,813	3,348,821
TOTAL EQUITY & RESERVES		**4,692,785**	**3,652,793**
TOTAL LIABILITIES, EQUITY AND RESERVES		**21,891,043**	**18,540,940**

The accompanying notes form an integral part of these financial statements.

	Notes	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Financial Income			
Interest Income From MF Loans		4,742,505	4,092,862
Loan Security Fee LSF		604,033	509,464
Death Benefit Fee DBF		96,285	97,412
Spouse Death Benefit Fee SDBF		25,632	32,574
Savings Fees		20,409	17,195
Interest on Bank accounts and Term Deposits		48,746	47,670
Loan Recoveries	21	71,936	9,087
Development Fees	23	680,028	613,585
Commissions		195,769	43,161
Miscellaneous Income		28,046	41,299
Financial Income Sub-Total		**6,513,388**	**5,504,309**
Financial Expenditures			
Interest Expense		937,072	690,333
Interest on overdraft Facilities/Savings		396,991	363,398
Interest on Lease		21,156	-
Foreign Exchange Loss		(7,330)	(20,019)
Financial Expenditures Sub-Total		**1,347,891**	**1,033,712**
Net Financial income		**5,165,497**	**4,470,597**
Loan Loss Provision	15a	264,908	260,288
Member Death Provision	15b	36,000	26,000
Spousal Death Provision	15c	23,000	11,000
Net Financial margin		**4,841,589**	**4,173,309**
Operating Expense	**16**	**3,436,397**	**3,380,936**
Net Operating Income		**1,405,192**	**792,373**
Non operating Revenue	17	**21,390**	**2,500**
Net Profit before income tax		**1,426,582**	**794,873**
Less: Income Tax Expense	19	386,589	239,786
Net Profit after Income Tax Expense		**1,039,992**	**555,087**

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE (SAMOA), LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Issued and Paid Up Capital $	Non-dilutive equity $	Retained Earnings/Losses $	Total $
Balance at 1 January 2019		88,094	215,878	3,348,821	**3,652,793**
Net Profit				1,039,992	**1,039,992**
Balance at 31 December 2019		**88,094**	**215,878**	**4,388,813**	**4,692,785**

SPBD MICROFINANCE (SAMOA) LTD.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
CASHFLOW FROM OPERATING ACTIVITIES		
Interest Received	4,742,505	4,092,862
Fees Received	1,670,902	1,270,230
Interest Paid on Loans	(1,355,220)	(1,006,754)
Cash paid to suppliers & employees	(3,926,302)	(2,913,720)
Other receipts	121,371	96,047
Net cash provided by operating activities	**1,253,256**	**1,538,665**
CASHFLOW FROM INVESTING ACTIVITIES		
Loans Disbursement	(24,183,464)	(21,253,618)
Loans Repayment	20,840,901	17,683,324
Payments for Property & equipment	(57,585)	(143,985)
Net cash provided by investing activities	**(3,400,148)**	**(3,714,279)**
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	6,495,029	4,632,438
Repayments of Long Term Borrowings	(4,227,699)	(3,036,856)
Member Savings	64,314	(8,880)
Net cash provided by investing activities	**2,331,643**	**1,586,702**
NET INCREASE/(DECREASE) IN CASH AND IN BANKS	**184,751**	**(588,911)**
OPENING CASH BALANCE/DATE OF TRANSFER	**2,264,773**	**2,853,684**
CLOSING BALANCE	**2,449,523**	**2,264,773**

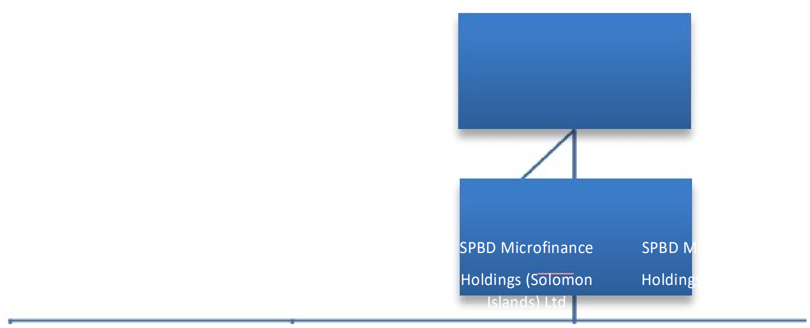
The statement of cash flows is to be read in conjunction with the notes to accounts

1. GENERAL INFORMATION

SPBD Microfinance (Samoa), Ltd. ("SPBD"), was incorporated under the Companies Act 2001 on the 13th day of December 2010 with the Ministry of Commerce, Industry, and Labour (MCIL) of Samoa. SPBD took over the activities, assets, and liabilities of South Pacific Business Development Foundation via purchase agreement. The aims of SPBD are to improve the quality of life of families living in poverty by providing training, unsecured credit and on-going guidance and motivation to help them start, grow and maintain income generating micro-businesses, build savings, as well as, finance home improvements and childhood education.

With the incorporation of SPBD Microfinance (Samoa) Ltd the company is under the umbrella of a Holding Company called SPBD Microfinance Holdings (Singapore) Pte Ltd incorporated in Singapore which is its ultimate parent company. This transformation formally links SPBD Microfinance Ltd (Samoa), (Tonga), (Fiji), (Solomon Islands), and (Vanuatu) as a sister organization enables many efficiencies and operating improvements. Gregory F. Casagrande owns 100% of the Holding Company.

SPBD Microfinance network



SPBD Microfinance Ltd (Samoa) is regulated under Samoa's Companies Amendment Act 2006 and is subject to the prudential requirements of the Money Laundering Act 2007, at the discretion of the Central Bank of Samoa.

To comply with money laundering prudential standards, SPBD has:

- Internal systems and checks in place, such as "Know Your Customer" (KYC) procedures, record keeping, normal onsite inspections and the current monthly reports to the Central Bank.
- A full-time compliance officer.

SPBD as a non-bank financial institution empowers its members through financial access and economic development to help improve themselves and their families permanently. SPBD is operating in Upolu, Savaii and other islands.

SPBD acquired the business License Certificate Number 274421/87247 from the Ministry for Revenue Services, Government of Samoa to carry on the business or economic activity of financial leasing.

As at 31 December 2019, SPBD has 28 staff of whom 8 are assigned in Savaii office and 20 in the Head Office in Apia.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

a. Basis of Preparation

These financial statements have been prepared in accordance with the requirements of the Companies Act 2001 and the *International Financial Reporting Standards (IFRS)* issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost basis as modified by the revaluation of certain financial assets and liabilities. The principal accounting policies are stated to assist in a general understanding of these financial statements. The financial statements are prepared in Samoan Tala.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

b. New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

IFRS 16 Leases

The Company has adopted the new accounting pronouncement IFRS 16 which has become effective this year.

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

b. New or amended Accounting Standards and Interpretations adopted (Cont'd)

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to separately account for the service elements from the lease elements, i.e. it does not allocate any amount of the contractual payments to, and separately accounts for, any services provided by the supplier as part of the contract. The service components of the contract are recognised in the profit and loss on a straight-line basis.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 10%.

c. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency is the Samoan Tala (WST).

d. Foreign currency transactions

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rates ruling at the dates the fair value was determined. The following exchange rates were used to convert monetary assets and liabilities denominated in foreign currencies at year end:

	31-Dec-19	**31-Dec-18**
NZD/WST	0.5489	0.5514
USD/WST	0.3722	0.3728
EUR/WST	0.3256	0.3190

e. Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

Interest income
Interest income on investments, loans and advances is recognised as it accrues. Interest on impaired loans is recognised as income only when received.

e. Revenue recognition (Cont'd)

Fees and charges
Fees and charges are brought to account when they are earned. Fees on impaired loans are recognised as income only when received.

Loan security fee income
SPBD charges and with-holds 2% of the principal amount on the loans approved for disbursement to the customers as security in case the customer dies before full payment of their loans. (This only applies to the group loans). This fee is treated as an income for SPBD as it is not refundable to the customer upon payment of the loan and is recognised when the loan disbursement occurs.

Savings accounts withdrawal fees
A $2 tala fee is charged by SPBD to its members when they withdraw from their savings account and is recognised in the period in which the fee is charged.

Member Death Benefit Fee
The fees revenue on the death benefit in the past offered by the company was recognised in the period in which the Fees were earned during the term of the contract. In this case the Fee is a one off payment paid at the time the loan is disbursed to the customer. In 2015, it was decided to recognise the one off payment fee in the year in which the payment is occurred. Provisions for death benefit have been consistently accrued in the past years, thus the recognition of the Fee revenue should be recognised once the Fee is received.

Development Fees income
SPBD Samoa charges a development fee of 3% at the time of loan disbursement.

f. Grants

Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

g. Loans

Loans are disclosed net of lending provisions. Term loans are carried at principal balances outstanding plus interest accrued.

The Company adopts the Grameen Bank's group solidarity lending methodology which provides credit that is individually unsecured but secured by the group guarantee policy arrangements. There are two group loan products 1) 52 week loan product and 2) 17 week loan product. The primary purposes of the loans are for establishing new or expanding of micro businesses.

g. Loans (Cont'd)

In 2013, two new products have been launched which is SME (Small Medium Enterprise) and OWL (Overseas Workers Loan) program. The OWL Loan product is a 4 months product, whereas SME Loan is 52 weeks loan product.

The primary purpose of OWL is to finance travel and visa costs, plus other related costs pertaining to the trip to New Zealand to undertake seasonal job under the RSE scheme. The SME Loan was designed to meet the needs of our old existing members, who continuously maintained a very good business. The Education loan product was introduced towards the end of 2014, to assist SPBD clients in financing their children's school fees, and the White Goods financing in partnership with SSAB was implemented in April 2019.

h. Impairment of loans

The Company 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 according to the age of the outstanding payment. The age of outstanding payment is analysed in three weekly bands from one week to greater than twenty one weeks. 100% provision is automatically assessed for loans whose repayments are more than 21 weeks overdue.

When a loan is uncollectible, it is written off against the related provision for bad and doubtful loans. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the provision decreases and the decrease can be related objectively to an event occurring after the provision was recognised (such as an improvement in the debtor's credit rating), the previously recognised provision is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Loan recoveries are cases of default loans which have been written off during previous year's and subsequently recovered are credited to income as bad debts recovered in the period in which the recovery is made.

i. Property and equipment

Items of equipment, furniture and motor vehicles are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The costs of the day to day servicing of the property, plant and equipment are recognized in profit and loss as incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives at which depreciation is charged are as follows:

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

i. Property and equipment (Cont'd)

The residual value is reassessed annually. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

j. Leases

The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company , an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

j. Leases (Cont'd)

The Company as a lessor

The company does not lease any property as a lessor.

k. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances of cash on hand and at bank including short term deposits which are subject to an insignificant risk of conversion to cash. Cash and cash equivalents are stated net of bank overdraft. Bank overdrafts are shown within interest bearing borrowings in current liabilities in the statement of financial position.

l. Value added goods and services tax (VAGST)

As a financial institution, the company is exempt from VAGST. The company however, is allowed to collect VAGST on rental income and claim VAGST on maintenance and other related costs of the building.

m. Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

n. Accounts payable

Accounts payables are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received. Given the short term nature of most payables, the carrying amounts approximate fair value.

o. Employee benefits

The Company contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognised immediately in profit or loss.

Liabilities for annual leave is accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if SPBD has a present obligation or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

p. Comparatives

This is the ninth year of operation for the Company and the 2018 comparative figures have been disclosed for comparison.

3. CRITICAL ACCOUNTING ESTIMATES/JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans

The Company reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Extension options for leases

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. WST $286,689 tala of potential lease payments have not been included in the lease liabilities as it is not reasonably certain the extension option will be exercised.

4 CASH AND BANK BALANCES

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Cash on Hand		
Petty Cash	2,707	2,707
Savaii Imprest	3,000	3,000
Upolu Imprest	10,000	10,000
Sub-Total	**15,707**	**15,707**
Bank Balances - Unrestricted		
Euros	21,846	22,458
United States Dollars	121,185	40,356
Samoan Tala	161,439	3,175
Sub-Total	**304,470**	**65,989**
Bank Balances - Restricted to Members Savings		
Samoan Tala Term Deposits	728,385	313,939
Samoan Tala Current Account	28,560	526,718
Total Non-Current Assets	**756,945**	**840,657**
Bank Balances - Restricted for security for overdraft facilities		
USD Term Deposit - (OD Facility - ANZ)	128,232	127,906
Samoan Tala Term Deposit (ANZ OD Facility)	1,051,639	1,027,843
USD Term Deposit - (OD Facility - SCB)	130,173	126,449
SPBD Samoan Tala - BSP	62,357	60,223
Sub-Total	**1,372,401**	**1,342,420**
TOTAL CASH ON HAND AND AT BANK	**2,449,523**	**2,264,773**

5 LOAN RECEIVABLE

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Total Disbursements (Accumulative Since Inception)	170,041,027	145,857,563
Less: Repayments (Accumulative Since Inception)	(150,665,623)	(129,824,722)
Written Off Loans	(1,590,707)	(1,396,198)
Gross Loan Receivable	**17,784,697**	**14,636,642**
Less: Loan Contingency Reserve	(222,240)	(151,840)
Total Loans Receivables	**17,562,457**	**14,484,802**

Types of loans

i) 52-weeks Loan are loans granted in Samoan Tala to clients who belong to SPBD Centres. This type of loan is provided to clients at an interest rate of 24.00% for a loan cycle of 52 weeks. Principal and interest payment are made on a weekly basis. Loan amount ranges from a minimum of WST1,250 to WST8,000.

ii) 17-weeks Loan are loans granted in Samoan Tala to clients who belong to SPBD Centres. This type of loan is provided to clients at an interest rate of 9.00% for a loan cycle of 17 weeks. Principal and interest payments are made on a weekly basis. Loan amount ranges from a minimum of WST300 to WST500.

iii) SME Loan was launched in August 2013, and the main focus is SPBD good clients who have maintained a very good business. Loan amount ranges from $8,000 to $32,000 at 21% interest. In 2017, SPBD has launched a phase 3 of its SME loan product where SPBD has extended its service to the public entrepreneur who operates and maintains a good business, but needs further improvement on the business.

iv) OWL is Overseas Workers Loan Program, and this new product was also launched in 2013, to assist men and women from Samoa who are selected to take up seasonal work in New Zealand and Australia. SPBD provides 4 months unsecured credit which ranges from $1,500 to $3,500 at 12% interest to seasonal workers to pay for visa fees, airfares, and all other related travel costs.

v) The Education Loan Product was launched in September 2014, to assist SPBD clients in financing their children school fees or tuition fees. SPBD cares about the children's education, thus the reason of introducing this new loan product. Loan ranges from $300 to $750 at 10% for 6 months education loan, and 12 months education loan ranges from $800 to $1,000 at 20% interest.

vi) The White Goods financing product was launched on 31 March 2019, to assist SPBD very good existing clients to purchase high quality but affordable white goods and other major appliances, which SPBD clients will need to increase productivity in their respective households and businesses. SPBD is partnered with SSAB in providing provide the high quality white goods and other appliances to SPBD clients, and then SPBD issues a one lump sum payment directly to SSAB once received an invoice from SSAB. Loan ranges from $1,250 to $2,500 at 21% interest.

SPBD Staff Loans

Borrower	Balance (WST)	Term	Status
Staff	$297,374.08	3 to 24 months	Current

The above balance of $297,374.08 for Staff loan transactions is included in the Gross loan receivable of WST 17,784,697 as at 31 December 2019.

6. OTHER RECEIVABLE

	31/12/2019 WST ($)	31-Dec-18 WST ($)
Prepaid Insurance	16,951	24,118
Others (Deposit/Travel Advance/Bond & Others)	30,634	12,000
Employee Receivable	11,182	10,301
Money Transfer Operator	252,279	270,325
	311,046	**316,744**

7. GOODWILL

The value of SPBD foundation over and above the value of its assets resulting from the reputation established with clients, lender, the government of Samoa and other stakeholders since its inception on 18 January 2000.

8. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Furniture & Fitting	Office Equipmen	Computer Equipment & Peripherals	Vehicle	Right use of Asset	Total
GROSS CARRYING AMOUNTS							
Opening Balance 01 Jan 2019	**40,428**	**87,825**	**40,740**	**156,918**	**1,117,152**	**-**	**1,443,062**
Additions - 2019	17,175	15,750	6,800	17,860		234,758	292,343
Balance as at 31 Dec 2019	**57,603**	**103,575**	**47,540**	**174,778**	**1,117,152**	**234,758**	**1,735,405**
Accumulated Depreciation							
Opening Balance 01 Jan 2019	**40,428**	**77,322**	**34,821**	**113,014**	**682,039**	**-**	**947,624**
Depreciation for the year - 2019	1,431	12,944	3,200	9,975	111,460	59,938	198,948
Balance as at 31 Dec 2019	**41,859**	**90,266**	**38,021**	**122,989**	**793,499**	**59,938**	**1,146,572**
Net Book Value 2019	**15,744**	**13,309**	**9,519**	**51,789**	**323,653**	**174,820**	**588,833**

IFRS16 was effective 01 January 2019, to recognise the lease liability and the right of use of assets in the books of lessee, thus the amount of additions is higher in 2019.

	Leasehold Improvements	Furniture & Fittings	Office Equipment	Computer Equipment & Peripherals	Vehicle	Total
GROSS CARRYING AMOUNTS						
Opening Balance 01 Jan 2018	**40,428**	**87,825**	**40,740**	**152,933**	**977,152**	**1,299,077**
Additions - 2018		-	-	3,985	140,000	143,985
Balance as at 31 Dec 2018	**40,428**	**87,825**	**40,740**	**156,918**	**1,117,152**	**1,443,062**
Accumulated Depreciation						
Opening Balance 01 Jan 2018	**39,080**	**68,591**	**31,495**	**103,462**	**551,093**	**793,721**
Depreciation for the year - 2018	1,348	8,732	3,326	9,553	130,945	153,903
Balance as at 31 Dec 2018	**40,428**	**77,322**	**34,821**	**113,014**	**682,039**	**947,624**
Net Book Value 2018	**-**	**10,503**	**5,919**	**43,904**	**435,113**	**495,438**

9. OTHER CREDITORS AND ACCRUALS

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Accrued Expenses & Other Payables	281,345	98,810
Income Tax Payable	146,803	(4,807)
Total	**428,148**	**94,003**

The Income Tax Payable detail is as follow.
`

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Net Profit before Tax	1,426,582	794,873
Add: First Time Provisioning	5,231	93,224
Total Net Profit before Tax	**1,431,813**	**888,097**
Income Tax @27%	386,589	239,786
Income Tax Payable Expense		
Beginning Balance 01/01/2019	(4,807)	51,835
Expenses for the year	386,589	239,786
Total	**381,782**	**291,621**
Payment made during the year	234,979	296,428
Balance Income Tax Payable	**146,803**	**(4,807)**

***Refer to note (19) for details of 2019 tax expenses*.**

10. RESERVES

a) RESERVE FOR MEMBER DEATH BENEFIT

The reserve is calculated based on 2019 number of members passed away, to ensure we provisioned enough to cover for 2020-member death benefit.

	31 DEC 2019 WST ($)	31 DEC 2018 WST ($)
DB Reserve	30,000	20,000
SDB Reserve	30,000	20,000
Total Reserve	**60,000**	**40,000**

b) RESERVE FOR SPOUSAL DEATH BENEFIT

This reserve is calculated based on 2019 number of spouses passed away, to ensure we provision enough to cover for 2019 Spousal death benefit.

11. MEMBERS SAVINGS DEPOSIT

SPBD initially 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 months 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 $10 deposit. SPBD also started its savings policy in 2007 whereby 5% loan retention (compulsory savings) goes into a member's Savings account. SPBD is not a regulated financial intermediary and does not use their client deposit for on-lending. Members can withdraw money with prior notice or anytime for emergencies. SPBD provides quarterly financial report, as well as an audited financial report to Central Bank of Samoa. The 5% retention can only be withdrawn by a member after the latest loan is paid off. SPBD deposits collected savings daily in a segregated bank account at BSP Bank and ANZ Bank.

11. MEMBERS SAVINGS DEPOSIT (CONT'D)

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
BSP Bank	769,945	804,175
ANZ Bank	135,026	36,482
Total	**904,971**	**840,657**

12. BORROWINGS

	Note	31-Dec-19	31-Dec-18
Unsecured Soft term loan			
Kiva Microfunds	(i)	1,805,260	1,683,378
Whole Planet Finance	(iii)	-	58,137
Secured Overdraft & local commercial loan facilities			
BSP Bank	(vii)	590	221,328
ANZ Bank	(viii)	3,417,008	3,468,980
SCB	(ix)	502,059	490,878
Samoa National Provident Fund	(v)	8,479,417	7,204,387
National Bank of Samoa	(vi)	1,196,890	413,377
Federal Pacific	(iv)	220,688	373,023
Total		**15,621,911**	**13,913,488**

Term Loans	**Ref Nos**	**Security**	**Maturity Dates**	**Foreign Currencies**	**Interest Rate**	**Opening Balance 1/01/2019**	**Payment Made**	**Funds Received**	**Balance 31/12/2019**	**Samoan Tala Equivalent**
KIVA Microfunds	(i)		on-going	**USD**	**0%**	751,177	162,433	214,373	803,116.09	**1,805,260**
Whole Planet Finance	(iii)		19/4/17,6/4/18,18/4/18	**WST**	**0%**	58,137	58,137		-	**-**
National Provident Fund	(v)		30/09/2018/2022	**WST**	**9.50%**	7,204,387	3,224,969	4,500,000	8,479,418	**8,479,418**
National Bank of Samoa	(vi)		31/08/2019	**WST**	**14%/11%**	413,377	216,487	1,000,000	1,196,890	**1,196,890**
Total Term Loans										**11,481,568**
Secured Overdraft Borrowing Facilities			**Maturity Dates**	**Foreign Currencies**	**Interest Rate**	**Credit Limit**	**Credit Limit Not Utilised**	**Type of Security**	**Amount of Security**	**Credit Limit Utilised**
BSP Bank - 119731	(vii)		on-going	**WST**	**9.75%**	46,000	45,411	Standby LOC	GBP 10,000	**589**
ANZ Bank (Samoa) Ltd	(viii)		on-going	**WST**	**10.50%**	3,500,000	82,992	Term Deposit	1,000,000	**3,417,008**
Samoa Commercial Bank	(ix)		on-going	**WST**	**10.50%**	500,000 -	2,059	Term Deposit	USD$40,000	**502,059**
Total Secured Overdraft										**3,919,656**
Vehicle Loan	**Ref No**	**Collateral**	**Maturity Dates**	**Foreign Currencies**	**Interest Rate**	**Opening Balance 1/01/2019**	**Payment Made**	**Additional Loan**	**Balance 31/12/2019**	**Samoan Tala Equivalent**
Federal Pacific Group	(iv)	secured (***)	20/12/2019	**WST**	**11%**	373,023	152,335	-	220,688	**220,688**
Total Borrowings										**15,621,911**

12. BORROWINGS (CONT'D)

By currency

Currency	31-Dec-19	31 Dec-18
Samoan Tala	13,816,651	12,230,110
US Dollar	1,805,260	1,683,378
Total	**15,621,911**	**13,913,488**

13. LEASES LIABILITY

The Company has a lease for its main office and parking space for a term of 5 years. The lease agreement contains an extension option for another 5 years. The Company has not included the extension option as part of the initial recognition of the lease liability. As at year end the remaining term on the lease is 3 years.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The company classifies its right-of-use assets in a consistent manner to tis property, plant and equipment.

Right-of-use asset

The movement in the right-of-use asset as presented in the statement of financial position is as follows:

	Buildings
At 1 January 2019	234,758
Amortisation	(59,938)
At 31 December 2019	**174,820**

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	31 December 2019
Current	56,926
Non-current	126,302
	183,228

The movement in lease liability for the year is as follows:

	Buildings
At 1 January 2019	234,758
Interest expense	21,156
Lease payment	(72,686)
At 31 December 2019	**183,228**

14a PAID IN CAPITAL

SPBD Microfinance Holdings (Singapore) Pte Ltd, the parent company of SPBD Microfinance (Samoa) Ltd. invested ST$88,094 in Equity into SPBD Microfinance Samoa Ltd in 2011. Donated capital from TVLLC-IFC was also received in previous years, thus increasing the total capital to $303,972

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Equity Investment from SPBD Microfinance (Singapore)	303,972	303,972
Total	**303,972**	**303,972**

14b RETAINED EARNINGS

Retained Earnings has increased from ST$3,348,821 to ST$4,388,813 at 31 December 2019 which is estimated at 30% increase.

15. LOAN LOSS

PROVISIONING a) Summary

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Loan Loss Provision	193,264	189,344
Loan Security Loss Provision	71,644	70,943
Total Loan Loss/Security Provision	**264,908**	**260,288**
b) Member Death Provision	**36,000**	**26,000**
c) Spousal Death Provision	**23,000**	**11,000**

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	Loan loss provision	Loan Outstanding	Loan Loss Prov. Amt.
1 week to 4 weeks late (<30 days)	5%	1,483,897	74,195
5 weeks to 8 weeks late (30 to 60 days)	10%	58,504	5,850
9 weeks to 12 weeks late (60 to 90)	25%	17,828	4,457
13 weeks to 16 weeks late (90 to 120)	50%	39,704	19,852
17 weeks to 20 weeks late (120 to 140)	75%	39,325	29,494
21 weeks or more (150 + days)	100%	88,392	88,392
TOTAL PROVISIONING AS OF 31 DECEMBER 2019			**222,240**

15. LOAN LOSS PROVISIONING (CONT'D)

SPBD provides a 100% provision for loan losses for loans overdue for 21 weeks or more. The above calculation is the net result after 2019 writing off loans have been taken off. The total provisioning in 2019 is $222,240, as per Loan Contingency Reserve at 31 December 2019.

b) Write-offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	22	71,644	0.40%
Loans Written Off – 2019	155	122,864	0.69%
Total	177	194,508	1.09%

There were 22 SPBD members died in 2019, and their loans outstanding balances were written off to coincide with the Loan Insurance loss policy.

The decision as to which loans to write off in 2019 was made taking into account the age of the outstanding loan compared to the cost effectiveness of management's own evaluation of the likelihood of recovery. Loan write- off in 2019 has been approved by the President.

c) Movements

i) Movement in Loan Loss Reserve

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

	2019 WST ($)	**2018 WST ($)**
Loan Loss Reserve – January 1	151,840	78,327
Plus: Additional reserve	193,264	189,345
Loan Loss Expense for the Year (RE)	71,644	70,943
Loans written off	194,508	186,775
Loan Loss Reserve 31 December	222,240	151,840

ii) Movement in Loan Security Reserve

	2019 WST ($)	**2018 WST ($)**
Loan Loss Reserve Jan 1, 19		
Loan Loss expense for the year	71,644	70,943
Loans written off	71,644	70,943
Insurance Loan Loss Reserve	Nil	Nil

iii) Movement in Death Benefit Reserve

	31/12/2019 WST ($)	**31/12/2018 WST ($)**
Loan Loss Reserve Jan 1	20,000	20,000
DBI Additional Reserve	36,000	26,000
Payment made	26,000	26,000
DBI Reserve 2019	30,000	20,000

15. LOAN LOSS PROVISIONING (CONT'D)

Death Benefit Reserve is increased by quarterly provisioning expense and decreased by actual payment made to beneficiaries declared by SPBD dead members.

iv) Movement in Spousal Death Benefit Reserve

	31/12/2019 WST ($)	31/12/2018 WST ($)
Loan Loss Reserve Jan 1	20,000	20,000
DBI Additional Reserve	23,000	11,000
Payment made	13,000	11,000
DBI Reserve 2019	30,000	20,000

Spousal Death Benefit Reserve is increased by quarterly provisioning expense and decreased by actual payment made to beneficiaries declared by SPBD dead members.

16 OPERATING EXPENSES

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Accident Compensation Board	8,754	5,690
Bank Charges	10,149	9,115
Guarantee Fees	50,000	50,000
Communications	159,011	178,557
Depreciation	198,948	153,903
Insurance	31,380	43,100
National Provident Fund	49,302	53,149
Office Expense (including Printing)	147,283	106,788
Other Expenses	16,238	34,809
Professional Services	1,131,002	1,148,428
Public Relations	57,866	46,483
Rental Expenses	128,683	197,609
Repairs & Maintenance	54,744	63,555
Salaries and Wages	800,751	904,552
Taxes and Fees	355,315	63,328
Training	44,610	35,486
Transportation	117,261	113,121
Travel	75,099	173,260
Operating Expenditures Sub-Total	**3,436,397**	**3,380,936**

17. NON-OPERATING REVENUE

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Grants including donations for the Annual Award	21,390	2,500
Total Non Operating Revenues as per P & L	**21,390**	**2,500**

18. NON-OPERATING EXPENSES

There is no more cost incurred under the non-operating expenses, unless we receive any grants in the future for any specific projects.

19. INCOME TAX EXPENSE

`

	31-Dec-19 WST ($)	31-Dec-18 WST ($)
Net Profit before Tax	1,426,582	794,873
Add: First Time Provisioning	5,231	93,224
Total Net Profit before Tax	**1,431,813**	**888,097**
Income Tax @27%	386,589	239,786

20. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's principal financial liabilities comprise borrowings and payables. The main purpose of these financial liabilities is to raise finance for Company operations. The Company has financial assets which mainly comprise cash and cash equivalents and receivables which are directly from operations. All financial assets are classified as 'loans and receivables' and all financial liabilities are classified as 'held at amortised cost'.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

a) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through and adequate amount of committed credit facilities.

The Company has incurred significant amount of indebtedness and evaluates its ability to meet these obligations on an on-going basis. Based on these evaluations the Company devises strategies to manage liquidity risk including maintaining a sufficient undrawn borrowing facilities to fund liquidity needs.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of subordinated debt, bank overdraft facilities and borrowings to fund liquidity needs. The Company's liquidity management process includes:

20. FINANCIAL RISK MANAGEMENT (CONT'D)

i) Maintaining a liquidity reserve in the form of cash and credit lines to ensure the solvency and financial flexibility at all times. For this purpose, the Company has net cash balances of \$2.4 million tala at 31 December 2019.

ii) Managing the concentration and profile of the Company's debt maturities. Refer to the table below for summary of the financial liability maturity profile at 31 December 2019 based on contractual undiscounted payments:

	1 to 12 Months	1 to 5 Years	Over 5 Years	Total
Borrowings	2,250,982	13,370,929	-	15,621,911
Creditors	428,148	-	-	428,148
Lease Liability	56,926	126,302	-	183,228
Total financial liabilities	**2,736,056**	**13,497,231**	**-**	**16,233,287**

b) Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis.

i) Currency risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risks in connection with scheduled payments in currencies that are not their functional currencies. The payments relate mainly to overseas borrowings. The Company's income statement and statement of financial position can be affected materially be movements in the exchange rates between the US dollar and the Samoa tala. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company manages its foreign exchange risk by ensuring that net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

ii) Foreign currency sensitivity

The sensitivity analysis below discloses the impact on profit before taxation and equity from changes in the exchange rates of the Tala against the US dollar to which the Company has significant exposure.

At 31 December 2019, if the Tala has strengthened/weakened by 10% against the US dollar with all other variables held constant, profit before taxation for the year would have been \$41,687 lower, mainly as a result of foreign exchange losses on translation of non-Tala denominated borrowings. There would be no impact on other components of equity as the Company has no non-Tala denominated non-monetary assets classified as available for sale.

iii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The company's interest rate risk policy requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. At 31 December 2019, none of the interests bearing liabilities were denominated in US dollars.

20. FINANCIAL RISK MANAGEMENT (CONT'D)

c) Credit risk

Credit risk arises mainly from micro-credit loan provided to the Customers of SPBD. This can be described as potential loss arising from the failure of a counter party to perform as contractual agreement with the SPBD. The failure may result unwillingness of a counter party or decline in his/her financial condition in adverse environment. Therefore, SPBD's credit risk management activities have been designed to address all these issues.

SPBD Centre Managers and the Team Leader have the proper introduction to the village chief before a new centre is opened. All interested women have to undergo a 6 session training to know about SPBD and the financial services offered. Potential clients must attend all sessions and has to undergo the final test to check their understanding of the SPBD Program. All potential clients must adhere to the five point decisions that SPBD requires:

- They must be willing to start or operate a business/economic activity
- They must be willing to attend the weekly meeting
- They must be willing to pay the weekly payment
- They must be willing to form a group and
- They must abide by the group guarantee and group rules.

All loan applications must be endorsed by the Centre Chief and the Centre Secretary. The Centre Manager evaluates the loan application and submit to their Team Leader for endorsement. The Back-office checks the completeness and validity of the application and submits the loan application to the General Manager for approval. Once a loan has been approved a check for disbursement is prepared. During the disbursement clients are interviewed individually to check their identification, revalidate the information provided on the loan application and verify that the client fully understand the terms and condition of the loan

21. Loan Recoveries

Loan Recoveries is the total amount of payments collected from loans that have already been written off in SPBD books of account. In 2019, SPBD was able to collect some payments from default loans and take into our Profit & Loss account.

22. Resignation Fees

No resignation fees recognised in 2019.

23 Development Fees

SPBD Samoa charges a Development Fee of 3% at the time of loan disbursement.

24. Events after statement of financial position date

There were no significant events after the statement of financial position date

25. Money Transfer Operator (MTO)

SPBD Samoa has obtained an approval from the Central Bank in 2017, to start an MTO business as per License MTO018. SPBD Samoa has also sealed a partnership with the XM Services (Australia Pty Ltd) for remittance services. As per signed agreement, XM Services provides Pre -Fund to SPBD Samoa for MTO pay outs, and on-line system was set up by XM Services for remittances. SPBD Samoa has collected $139,726.67 commission in 2019 for the services that we have provided. XM Services (Australia Pty Limited) has remitted ST$33,471,267.57 and SPBD Samoa has paid out ST$32,808,937.60 in 2019, thus the outstanding balance was ($252,278.62) as reflected in the Other Receivables. There was a significant increase in remittances in 2019.

PORTFOLIO DESCRIPTION REPORT

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 the group loan products: (1) 52-week loan product, (2) 17 weeks loan product, (3) SME loan product, (4) OWL (5) Education loan product and (6) White Goods Financing. Minimum first loan sizes are ST$1,250 and ST$500 respectively. All loans are amortized in weekly instalments. These loan types are unsecured except for SME loan product. 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 while 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.

Loan Disbursed During 2019

Loan Type	# of Loans	Amount of Loans	Amount as % of Total Portfolio
Micro Loans	5,828	15,377,940	63.6%
SME Loans	464	6,226,850	25.7%
OWL Loans	746	1,826,400	7.6%
Higher Education Loan	49	45,805	0.2%
White Goods Financing	344	550,452	2.3%
Employee Loans	75	156,017	0.6%
Total	**7,506**	**24,183,464**	**100.0%**
Ave. loan size at Disbursement		***3,222***	

Loans Disbursed in 2018

Loan Type	# of Loans	Amount
Micro Loans	6,254	1
SME Loans	393	
OWL Loans	606	
Higher Education Loan	59	
Employee Loans	85	

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.

PORTFOLIO QUALITY

SPBD loans are staff's number one priority to keep the loan portfolio healthy. They strictly apply the credit rules and policies outlined in SPBD Credit Manual. As SPBD only offers unsecured loans, we rely on good clients and projects selection as a primary tool to ensure portfolio quality is good. 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.

Loan Types	# of Accounts	31-Dec-19 Outstanding Principal Balance	31-Dec-19 PAR > 30 Amount WST$	31-Dec-19 PAR > 30 Days (%)	31-Dec-18 Outstanding Principal Balance	31-Dec-18 PAR Amount WST$	31-Dec-18 PAR > 30 Days (%)
Group Loans							
Current	7,374	16,687,088			13,286,733		
1-4 weeks late (<30 days)	396	607,994			925,025		
5-8 weeks late (30 to 60 days)	25	47,450	47,450	0.27%	41,390	41,390	0.28%
9-12 weeks late (60 to 90days)	15	14,335	14,335	0.08%	20,098	20,098	0.13%
13-16 weeks late (90 to 120 days)	13	20,154	20,154	0.11%	15,108	15,108	.10%
17-20 weeks late (120 to 140 days)	19	26,701	26,701	0.15%	14,314	14,314	0.10%
over 21 weeks late (over 150 days)	244	83,601	83,601	0.47%	64,671	64,671	0.45%
Sub-total	**8,086**	**17,487,323**	**192,241**	**1.10%**	**14,367,339**	**155,581**	**1.08%**
Staff Loans							
Current	156	297,374			269,303		
over 4 weeks in arrears							
Grand Total	**8,242**	**17,784,697**	**192,241**	**1.08%**	**14,636,642**	**155,581**	**1.06%**

SPBD defines portfolio at risk (PAR) as:

<u>Outstanding principal amount of all loans that have one or more instalments of principal past due by 30 days</u>
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.

PORTFOLIO QUALITY (CONT'D)

SPBD staff then follows the procedures outlined in the SPBD Credit Manual to get clients in arrears back on track as soon as possible. A significant portion of operation 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.

Loan Accounts Outstanding

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

	31/12/2019	31/12/2018
Number of outstanding loan accounts	8,242	7,782

Savings Accounts

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

	31/12/2019	31/12/2018
Number of savings accounts	20,330	20,050

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.