SPBD MICROFINANCE (SAMOA) LTD.

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

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-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 7,000 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 2017 are set out in the income statement. SPBD made a pre-tax profit of WST $857,200 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 — Member
- Minh Huy Lai, France — Member

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 2017, 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

Gregory F. Casagrande
Chairman
Date: 22 March 2018

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

BDO
Vaitele St Lalovaea.
POBox 859
Apia Samoa

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Pacific Business Development Microfinance (Samoa) Ltd, which comprise:

- the statement of financial position as at December 31, 2017;
- 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 December 31, 2017, 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
Dated 22 March 2018

SPBD MICROFINANCE (SAMOA), LTD.
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	31-Dec-17 WST ($)	31-Dec-16 WST ($)
ASSETS			
Cash on Hand and at Bank	4	2,853,683	3,123,108
Loans Receivables	5	11,174,796	9,608,728
Other Receivables	6	82,536	80,684
Goodwill	7	979,183	979,183
Property and Equipment	8	505,356	656,990
TOTAL ASSETS		**15,595,554**	**14,448,693**
LIABILITIES			
Other Creditors and Accruals	9	151,444	125,643
Reserve for DB	10	20,000	20,000
Reserve for SDB	10	20,000	20,000
Member Savings Deposits	11	849,457	751,589
Borrowings	12	11,456,947	11,046,362
TOTAL LIABILITIES		**12,497,848**	**11,963,594**
EQUITY & RESERVES			
Paid-in-Capital	13	303,972	303,972
Retained Earnings	14a	2,793,734	2,181,128
TOTAL EQUITY & RESERVES		**3,097,706**	**2,485,099**
TOTAL LIABILITIES, EQUITY AND RESERVES		**15,595,554**	**14,448,693**

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

SPBD MICROFINANCE (SAMOA), LTD.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Financial Income			
Interest Income From MF Loans		3,722,399	3,350,504
Loan Security Fee LSF		447,172	394,779
Death Benefit Fee DBF		81,433	84,662
Spouse Death Benefit Fee SDBF		39,912	47,365
Savings Fees		17,495	18,497
Interest on Bank accounts and Term Deposits		45,679	48,865
Loan Recoveries	22	1,771	8,502
Development Fees	23a	515,994	447,792
Miscellaneous Income		24,029	9,646
Financial Income Sub-Total		**4,895,884**	**4,410,612**
Financial Expenditures			
Interest Expense		604,867	528,129
Interest on overdraft Facilities/Savings		280,369	295,104
Foreign Exchange Loss		(12,070)	(19,179)
Financial Expenditures Sub-Total		**873,166**	**804,054**
Net Financial income		**4,022,719**	**3,606,558**
Loan Loss Provision	15	**164,564**	**86,565**
DB Provision	15	**12,000**	**29,000**
SDB Provision	**15**	**15,000**	**31,000**
Net Financial margin		**3,831,155**	**3,459,993**
Operating Expense	16	**2,980,255**	**2,753,181**
Net Operating Income		**850,900**	**706,812**
Non operating Revenue	17	**6,300**	**6,600**
Net Profit before income Tax		**857,200**	**713,412**
Less: Income Tax Expense	19	**244,593**	**192,758**
Net Profit after Income Tax Expense		**612,607**	**520,654**

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 2017

	Notes	Issued and Paid Up Capital $	Non-dilutive equity $	Retained Earnings/Losses $	Total $
Balance at 1 January 2017		88,094	215,878	2,181,128	2,485,100
Net Profit				612,607	612,607
Balance at 31 December 2017		**88,094**	**215,878**	**2,793,734**	**3,097,706**

SPBD MICROFINANCE (SAMOA), LTD.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
CASHFLOW FROM OPERATING ACTIVITIES		
Interest Received	3,722,399	3,350,504
Fees Received	1,102,007	974,597
Interest Paid on Loans	(861,096)	(809,740)
Cash paid to suppliers & employees	(2,779,777)	(2,751,010)
Other receipts	76,079	73,613
Net cash provided by operating activities	**1,259,612**	**837,964**
CASHFLOW FROM INVESTING ACTIVITIES		
Loans Disbursement	(17,923,883)	(15,682,523)
Loans Repayment	16,193,252	14,202,748
Payments for Property & equipment	(39,045)	(454,036)
Net cash provided by investing activities	**(1,769,676)**	**(1,933,810)**
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	2,785,099	3,595,630
Repayments of Long Term Borrowings	(2,642,327)	(2,078,522)
Member Savings	97,868	18,497
Net cash provided by investing activities	**240,640**	**1,535,605**
NET INCREASE/(DECREASE) IN CASH AND IN BANKS	**(269,425)**	**439,760**
OPENING CASH BALANCE/DATE OF TRANSFER	**3,123,108**	**2,683,347**
CLOSING BALANCE	**2,853,683**	**3,123,108**

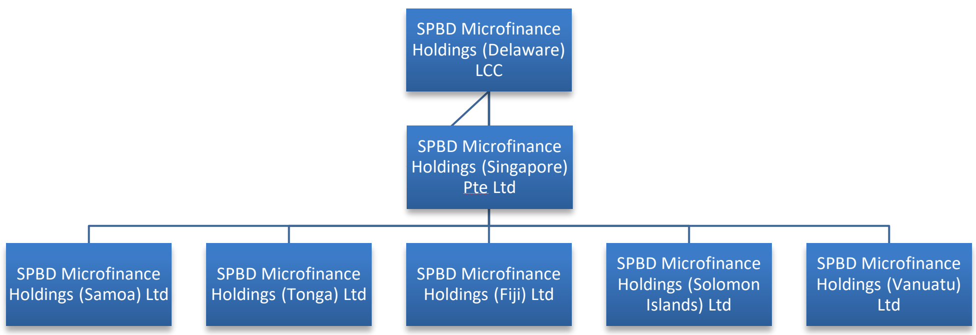
The statement of cash flows is to be read in conjunction with the notes to accounts

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 islands.

SPBD acquired the business License certificate Number 263883/74647 from the Ministry for Revenue Services, Government of Samoa to carry on the business or economic activity of financial leasing.

As at 31 December 2017, SPBD has 30 staff of whom 8 are assigned in Savaii office and 22 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.

Standards, interpretations and amendments issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 July 2011 or later periods as stated, but the Group has not early adopted them. Adoption of these standards and interpretations may or may not have any significant impact on the Group's financial statements as the Group is assessing the impact of future adoption of these standards.

IFRS 1 Amendment	First-time adoption: Exemption for severe hyperinflation and removal of fixed dates	1 July 2011
IFRS 7 Amendment	Financial instruments: Disclosures on transfer of financial assets	1 July 2011
IAS 12 Amendment	Income taxes: Deferred tax	1 January 2012
IAS 1 Amendment	Financial statement presentation regarding other comprehensive income accounting for investment properties	1 July 2012
IFRS 9 Amendment	Financial instruments: Classification and measurement	1 January 2013
IAS 19 Amendment	Employee benefits	1 January 2013
IFRS 10	Consolidated financial instruments	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27 (Revised)	Separate financial statement	1 January 2013
IAS 28 (Revised)	Associates and joint ventures	1 January 2013

b. 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).

b. 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-17	**31-Dec-16**
NZD/WST	0.5429	0.5404
USD/WST	0.3878	0.3787
EUR/WST	0.3173	0.3552

d. 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.

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.

Death benefit fees

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

e. 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.

f. 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.

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.

g. 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.

h. 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 the 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

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.

i. Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

o. Financial instruments

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs except for those carried at fair value through profit and loss which are measured initially at fair value. Subsequent measurements of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets
The Company classifies its financial assets in the following categories; loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition they are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'Loans to customers', 'Cash on hand and at banks' and 'Term deposits'. Loans to customers are considered impaired when they are past due per Note 2(g).

Classification and subsequent measurement of financial liabilities
The Company's financial liabilities include borrowings, trade and other payables. Financial liabilities are recognized initially at fair value, net of transactions costs incurred. They are measured subsequently at amortised cost using the effective interest method.

p. Comparatives

This is the seventh year of operation for the Company and the 2016 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.

4. CASH AND BANK BALANCES

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Cash on Hand		
Petty Cash	10,207	5,207
Savaii Imprest	1,500	1,500
Upolu Imprest	3,000	3,000
Sub-Total	**14,707**	**9,707**
Bank Balances - Unrestricted		
Euros	22,798	26,639
United States Dollars	420,444	311,873
Samoan Tala	246,760	745,611
Sub-Total	**690,002**	**1,084,124**
Bank Balances - Restricted to Members Savings		
Samoan Tala Term Deposits	306,991	299,702
Samoan Tala Current Account	542,466	451,886
Total Non-Current Assets	**849,457**	**751,589**
Bank Balances - Restricted for security for overdraft facilities		
USD Term Deposit - (OD Facility - ANZ)	123,085	125,758
Samoan Tala Term Deposit (ANZ OD Facility)	999,581	977,012
USD Term Deposit - (OD Facility - SCB)	118,688	118,260
SPBD Samoan Tala - BSP	58,163	56,658
Sub-Total	**1,299,517**	**1,277,688**
TOTAL CASH AND BANK BALANCES	**2,853,683**	**3,123,108**

5. LOANS RECEIVABLE

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Total Disbursements (Accumulative Since Inception)	124,603,945	106,680,062
Less: Repayments (Accumulative Since Inception)	(112,141,398)	(95,948,147)
Written Off Loans	(1,209,423)	(1,090,149)
Gross Loan Receivable	**11,253,123**	**9,641,766**
Less: Loan Contingency Reserve	(78,327)	(33,037)
	11,174,796	**9,608,728**

Types of loans

i) 52-weeks Loan are loans granted in Samoan Tala to clients who belong to SPBD Centers. 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 WST1,000 to WST8,000. New client members may borrow from WST500 to WST 1,000.

ii) 17-weeks Loan are loans granted in Samoan Tala to clients who belong to SPBD Centers. 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 payment 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 $7,500 to $21,000 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 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.

SPBD Staff Loans

Borrower	Balance (WST)	Term	Status
Staff	$203,117	3 to 24 months	Current

The above balance of $203,117 for Related Party transactions is included in the Gross loan receivable of WST 11,253,123 as at 31 December 2017.

6. OTHER RECEIVABLES

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Prepaid Insurance	32,935	24,444
Others (Deposit/Travel Advance/Bond & Others)	23,641	23,641
Interest Due	15,348	15,348
Employee Receivable	61,961	68,599
Less: Employee Receivable Provisioning	(51,348)	(51,348)
	82,536	**80,684**

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 & Fittings	Office Equipment	Computer Equipment & Peripherals	Vehicle	Total
GROSS CARRYING AMOUNTS						
Opening Balance 01 Jan 2017	**40,428**	**56,456**	**40,740**	**145,257**	**977,152**	**1,260,032**
Additions - 2017		31,369	-	7,676	-	39,045
Balance as at 31 Dec 2017	**40,428**	**87,825**	**40,740**	**152,933**	**977,152**	**1,299,077**
Accumulated Depreciation						
Opening Balance 01 Jan 2017	**30,995**	**55,728**	**28,106**	**93,639**	**394,575**	**603,043**
Depreciation for the year - 2017	8,086	12,863	3,389	9,822	156,518	190,678
Balance as at 31 Dec 2017	**39,080**	**68,591**	**31,495**	**103,462**	**551,093**	**793,721**
Net Book Value 2017	**1,348**	**19,234**	**9,245**	**49,471**	**426,058**	**505,356**

We purchased 2 laptops and 1 computer, new metal shelves for filing and new chairs and desks for both offices in Savaii and Upolu.

	Leasehold Improvements	Furniture & Fittings	Office Equipment	Computer Equipment & Peripherals	Vehicle	Total
GROSS CARRYING AMOUNTS						
Opening Balance 01 Jan 2016	**40,428**	**55,496**	**23,762**	**126,459**	**559,852**	**805,997**
Additions - 2016		960	16,978	18,798	417,300	454,036
Balance as at 31 Dec 2015	**40,428**	**56,456**	**40,740**	**145,257**	**977,152**	**1,260,032**
Accumulated Depreciation						
Opening Balance 01 Jan 2016	**22,909**	**48,447**	**26,683**	**85,473**	**318,286**	**501,798**
Depreciation for the year - 2016	8,086	7,281	1,422	8,167	76,289	101,245
Balance as at 31 Dec 2016	**30,995**	**55,728**	**28,106**	**93,639**	**394,575**	**603,043**
Net Book Value 2016	**9,433**	**728**	**12,634**	**51,618**	**582,577**	**656,990**

9. OTHER CREDITORS AND ACCRUALS

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Accrued Expenses & Other Payables	99,610	79,098
Income Tax Payable	51,835	46,545
Total	**151,444**	**125,643**

The Income Tax Payable detail is as follow.

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Net Profit before Tax	**857,200**	**713,412**
Add: First Time Provisioning	48,699	507
Total Net Profit before Tax	**905,899**	**713,919**
Income Tax @27%	244,593	192,758
Income Tax Payable Expense		
Beginning Balance 01/01/2016	**46,545**	**(30,407)**
Expense for the year	244,593	192,758
Total	**291,138**	**162,350**
Payment made during the year	239,303	115,805
Balance Income Tax Payable	**51,835**	**46,545**

Refer to note (19) for details of 2017 tax expenses.

10. RESERVE FOR DEATH BENEFIT

The reserve is calculated based on 2017 number of members passed away, to ensure we provisioned enough to cover for 2018 DBF. Refer to note (9) for further details.

	31 DEC 2017 WST ($)	31 DEC 2017 WST ($)
DB Reserve	20,000	20,000
SDB Reserve	20,000	20,000
Total Reserve	**40,000**	**40,000**

10a. RESERVE FOR SPOUSE DEATH BENEFIT

This reserve is calculated based on 2017 number of spouses passed away, to ensure we provision enough to cover for 2018 SDB. Refer to note (9) for further details.

Unearned Fee for DB

Effective 2017, no more unearned insurance to be recognised, because the amount of DBF collected in 2017 has been fully recognised in the Profit & loss statement.

	31 DEC 2017 WST ($)	31 DEC 2016 WST ($)
Total insurance income	Nil	84,662
Less: Earned insurance premiums	Nil	84,662
Total unearned insurance as per above	**Nil**	**Nil**

Unearned Insurance for SLI

Effective 2017, no more unearned insurance to be recognised, because the amount of DBI collected in 2017 has been fully recognised in the Profit & loss statement.

	31 DEC 2017 WST ($)	31 DEC 2016 WST ($)
Total insurance income	Nil	47,365
Less: Earned insurance premiums	Nil	47,365
Total unearned insurance as per above	**Nil**	**Nil**

11. MEMBERS SAVINGS DEPOSIT

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 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.

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
BSP Bank	818,105	751,589
ANZ Bank	31,352	-
Total	**849,457**	**751,589**

12. BORROWINGS

	Note	31-Dec-17	31-Dec-16
Unsecured soft term loans:		**$**	**$**
Kiva Micro funds	(i)	2,158,357	1,752,865
David Adams	(ii)	10,315	10,562
Whole Planet Finance	(iii)	303,590	678,525
Secured overdraft and local Commercial loan facilities:			
BSP Bank	(vii)	3,011	2,135
ANZ Bank	(viii)	2,356,651	2,133,657
SCB	(ix)	331,489	297,138
Samoa National Provident Fund	(v)	5,279,279	4,810,733
National Bank of Samoa	(vi)	660,172	913,878
Federal Pacific Group	(iv)	354,083	446,869
		11,456,947	**11,046,362**

The above borrowings are analysed as follows:

Term Loans	Ref Nos	Security	Maturity Dates	Foreign Currencies	Interest Rate	Opening Balance 1/01/2017	Payment Made	Funds Received	Balance 31/12/2017	Samoan Tala Equivalent
KIVA Microfunds	(i)		on-going	USD	0%	763,992	169,492	339,879	934,378.16	2,158,357
David Adams	(ii)		31/12/2015	USD	0%	4,000		-	4,000	10,315
Whole Planet Finance	(iii)		19/4/17,6/4/18,18/4/18	WST	0%	678,525	374,935		303,590	303,590
National Provident Fund	(v)		30/09/2018/2022	WST	9.50%	4,810,733	1,531,454	2,000,000	5,279,279	5,279,279
National Bank of Samoa	(vi)		31/08/2019	WST	14%/11%	913,878	253,705	-	660,172	660,172
Total Term Loans										**8,411,713**
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	42,989	Standby LOC	GBP 10,000	3,011
ANZ Bank (Samoa) Ltd	(viii)		on-going	WST	10.50%	3,000,000	643,349	Term Deposit	1,000,000	2,356,651
Samoa Commercial Bank	(ix)		on-going	WST	10.50%	500,000	168,511	Term Deposit	USD$40,000	331,489
Total Secured Overdraft										**2,691,151**
Vehicle Loan	**Ref No**	**Collateral**	**Maturity Dates**	**Foreign Currencies**	**Interest Rate**	**Opening Balance 1/01/2017**	**Payment Made**	**Funds Received**	**Balance 31/12/2017**	**Samoan Tala Equivalent**
Federal Pacific Group	(iv)	secured (***)	20/12/2019	WST	11%	446,869	92,786	-	354,083	354,083
Total Borrowings										**11,456,947**

By currency

Currency	**31-Dec-16**	**31 Dec-16**
Samoan Tala	9,288,275	9,282,935
US Dollar	2,168,672	1,763,427
Total	**11,456,947**	**11,046,362**

13. EQUITY

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-17 WST ($)	31-Dec-16 WST ($)
Equity Investment from SPBD Microfinance (Singapore)	303,972	303,972
Total	**303,972**	**303,972**

14. PREFERENCE SHARES

No preference shares in 2017.

14a RETAINED EARNINGS

Retained Earnings as of 31 December 2017 was ST$2,793,734.

15. LOAN LOSS PROVISIONING

a) Summary

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Loan Loss Provision	149,604	54,904
Loan security Loss Provision	14,960	31,661
b) Death Benefit Provision	12,000	29,000
c) SDB Loss Provisioning	15,000	31,000
Total Non Operating Expenses as per P & L	**191,564**	**146,565**

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%	4501,631	25,082
5 weeks to 8 weeks late (30 to 60 days)	10%	59,222	5,922
9 weeks to 12 weeks late (60 to 90)	25%	4,549	1,137
13 weeks to 16 weeks late (90 to 120)	50%	5,484	2,742
17 weeks to 20 weeks late 9120 to 140)	75%	11,081	8,310
21 weeks or more (150 + days	100%	14,559	14,559
Provisioning for staff loans	10%	203,117	20,575
TOTAL PROVISIONING AS OF 31 DECEMBER 2017			**78,327**

SPBD provides a 100% provision for loan losses for loans overdue for 21 weeks or more. The above calculation is the net result after 2017 writing off loans have been taken off. The total provisioning in 2017 is $78,327, as per Loan Contingency Reserve at 31 December 2017. SPBD provides a 10% provision on Staff Loans in 2017.

b) Write-offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	12	14,960	0.13%
Loans Written Off – 2017	153	104,314	0.93%
Total	165	119,274	1.06%

There were 12 SPBD members passed away in 2017, and their loans were written off loan outstanding as per Loan Insurance policy.

The decision as to which loans to write off in 2017 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 2017 has been approved by the President.

c) Movements

i) Movement in Loan Loss Insurance

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

	2017 WST ($)	**2016 WST ($)**
Loan Loss Reserve – January 1	33,037	39,691
Plus: Additional reserve	149,604	54,904
Loan Loss Expense for the Year (RE)	14,960	31,661
Loans written off	119,274	93,219
Loan Loss Reserve 31 December	78,327	33,037

ii) Movement in Insurance Loan Loss Reserve

	2017 WST ($)	**2016 WST ($)**
Loan Loss Reserve Jan 1, 17		
Loan Loss expense for the year	14,960	31,661
Loans written off	14,960	31,661
Insurance Loan Loss Reserve	Nil	Nil

iii) Movement in Insurance Death Benefits Reserve

	31/12/2017 WST ($)	**31/12/2016 WST ($)**
Loan Loss Reserve Jan 1	20,000	15,000
DBI Additional Reserve	12,000	29,000
Payment made	12,000	24,000
DBI Reserve 2017	20,000	20,000

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

iv) Movement in Insurance Spouse Life Insurance Reserve

	31/12/2017 WST ($)	**31/12/2016 WST ($)**
Loan Loss Reserve Jan 1	20,000	15,000
DBI Additional Reserve	15,000	31,000
Payment made	15,000	26,000
DBI Reserve 2017	20,000	20,000

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

16. OPERATING EXPENSE

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Accident Compensation Board	5,035	5,654
Bank Charges	19,397	15,927
Guarantee Fees	50,000	59,133
Communications	165,192	139,070
Depreciation	190,678	101,245
Insurance	16,887	13,407
National Provident Fund	42,188	35,734
Office Expense (including Printing)	95,667	99,942
Other Expenses	38,478	47,646
Professional Services	838,340	821,861
Public Relations	53,717	52,379
Rental Expenses	200,104	183,598
Repairs & Maintenance	39,359	39,418
Salaries and Wages	863,552	831,712
Taxes and Fees	40,263	27,200
Training	78,849	90,306
Transportation	97,486	132,915
Travel	145,062	56,034
Operating Expenditures Sub-Total	**2,980,255**	**2,753,181**

17. NON OPERATING REVENUES

	31-Dec-17 WST ($)	31-Dec-16 WST ($)
Grants including donations for the Annual Award	6,300	6,600
Total Non Operating Revenues as per P & L	**6,300**	**6,600**

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-17	31-Dec-16
	WST ($)	WST ($)
Net Profit before Tax	**857,200**	**713,412**
Add: First Time Provisioning	48,699	507
Total Net Profit before Tax	**905,899**	**713,919**
Income Tax @27%	244,593	192,758

20. OPERATING LEASE COMMITMENTS

The minimum annual lease payments required under non-cancellable leases through to their expiry are as follows:

	2017	2016
	WST $	WST $
Less than one year	157,840	139,794
	157,840	139,794

21. 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:

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 $2.9 million tala at 31 December 2017.

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 2017 based on contractual undiscounted payments:

	Within 1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Borrowings	216,915	2,192,472	9,047,560		11,456,947
Creditors		193,232			193,232
Total financial liabilities	216,915	2,385,705	9,047,560		11,650,179

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, the Euro 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.

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 and the Euro to which the Company has significant exposure.

At 31 December 2015, if the Tala has strengthened/weakened by 10% against the US dollar and the Euro with all other variables held constant, profit before taxation for the year would have been $14,886 higher, 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.

ii) 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 2017, 0% of the interests bearing liabilities were denominated in US dollars and Euros.

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 Center Managers and the Team Leader have the proper introduction to the village chief before a new center 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 Center Chief and the Center Secretary. The Center 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

22. 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 2017, SPBD was able to collect some payments from default loans and take into our Profit & Loss account.

23. Resignation Fees

No resignation fees recognised in 2017.

23a 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 $1,867.62 commission in 2017 for the services that we have provided. XM Services (Australia Pty Limited) has remitted ST$495,794.96 and SPBD Samoa has paid out ST$532,465.94 in 2017, thus the outstanding balance in the Other Payables related to MTO was ($36,670.98).

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 and (5) Education loan product. Minimum first loan sizes are ST$500 and ST$300 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.

Loans Disbursed in 2017

Loan Type	# of Loans	Amount of Loans	Amount as % of Total Portfolio
Micro Loans	5,989	12,545,100	70.0%
SME Loans	338	4,122,000	23.0%
OWL Loans	482	1,078,000	6.0%
Higher Education Loan	64	60,310	0.3%
Employee Loans	72	118,473	0.7%
Total	**6,945**	**17,923,883**	**100.0%**
Ave. loan size at Disbursement		***2,581***	

Loans Disbursed in 2016

Loan Type	# of Loans	Amount of Loans	Amount as % of Total Portfolio
Micro Loans	6,171	11,973,388	76.3%
SME Loans	242	2,835,750	18.1%
OWL Loans	323	660,500	4.2%
Higher Education Loan	66	57,785	0.4%
Employee Loans	92	155,100	1.0%
Total	**6,894**	**15,682,523**	**100.0%**
Ave. loan size at Disbursement		***2,275***	

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-17 Outstanding Principal Balance	31-Dec-17 PAR > 30 Amount WST$	31-Dec-17 PAR > 30 Days (%)	31-Dec-16 Outstanding Principal Balance	31-Dec-16 PAR Amount WST$	31-Dec-16 PAR > 30 Days (%)
Group Loans							
Current	6,431	10,453,481			9,006,712		
1-4 weeks late (<30 days)	306	501,631			412,400		
5-8 weeks late (30 to 60 days)	9	59,222	59,222	0.53%	9,874	9,874	0.10%
9-12 weeks late (60 to 90days)	7	4,549	4,549	0.04%	3,417	3,417	0.04%
13-16 weeks late (90 to 120 days)	2	5,484	5,484	0.05%			
17-20 weeks late (120 to 140 days)	2	11,081	11,081	0.10%			
over 21 weeks late (over 150 days)	11	14,559	14,559	0.13%			
Sub-total	**6,768**	**11,050,007**	**94,895**	**0.86%**	**9,432,404**	**13,291**	0.14%
Staff Loans							
Current	173	203,116			209,362		
over 4 weeks in arrears							
Grand Total	**6,941**	**11,253,123**	**94,895**	**0.84%**	**9,641,766**	**13,291**	**0.14%**

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. 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:

	31/12/2017	31/12/2016
Number of outstanding loan accounts	6,941	6,860

Savings Accounts

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

	31/12/2017	31/12/2016
Number of savings accounts	19,704	18,812

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.