



**SPBD MICROFINANCE (SAMOA) LTD.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Independent Auditors Report  
To the members of  
SPBD Microfinance (Samoa) Ltd**

We have audited the accompanying financial statements of SPBD Microfinance (Samoa) Ltd, which comprises the balance sheet as at 31 December 2013, the income statement, cash flows and changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

**Directors' and Management's responsibility for the Financial Report**

Directors and management are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and with the requirements of the Companies Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion to the Company's shareholders, as a body, in accordance with Section 138 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assumed responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. We confirm that we have no other relationship with the Company other than the audit of the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors and management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Auditor's Opinion**

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books and the financial statements have been prepared in accordance with International Financial Reporting Standards:

- i. are in agreement with the books of account;
- ii. to the best of our information and according to the explanations given to us:
  - a. give a fair and true view of the Company's balance sheet as at 31 December, 2013 and of its income statement, changes in equity, and its cash flows for the year ended on that date and
  - b. give the information required by the Companies Act 2001 in the manner so required.

We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.

*Betham & Co*

**BETHAM & CO.**  
Certified Public Accountants

Apia *24 March 2014*



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**SPBD MICROFINANCE (SAMOA), LTD.  
STATEMENT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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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 2013.

**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.

In 2013, SPBD introduced a comprehensive Financial Education program (FEP) to provide meaningful and practical financial education to all its clients. Currently more than 5000 of our valued clients go through a 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 2013 are set out in the income statement. SPBD made a pre-tax profit of WST \$332,434 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.

**OTHER DISCLOSURES**

The Company is a limited liability company incorporated and domiciled in Samoa. The address of its registered office has changed in 2013 to 1<sup>st</sup> Floor A1.3, NPF Plaza, Savalalo, Apia, Samoa. The postal address is PO Box 1614 and it is located at Apia, Samoa.

**SPBD MICROFINANCE (SAMOA), LTD.  
STATEMENT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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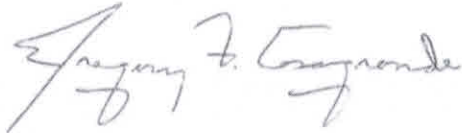
**RESPONSIBILITIES OF THE BOD IN RESPECT OF THE FINANCIAL STATEMENTS**

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 2013, 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 them 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 operations 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,



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**Gregory F. Casagrande**  
Chairman  
Date: 24 March 2014

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
SPBD MICROFINANCE (SAMOA), LTD.**

**SPBD MICROFINANCE (SAMOA), LTD.**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2013**

ASSETS	Notes	2013 WST (\$)	2012 WST (\$)
Cash on Hand and at Bank	4	2,189,914	1,791,236
Loans Receivables	5	5,982,369	5,305,327
Other Receivables	6	501,073	381,657
Goodwill	7	979,183	979,183
Property and Equipment	8	520,438	151,611
<b>TOTAL ASSETS</b>		<b><u>10,172,978</u></b>	<b><u>8,609,014</u></b>
<b>LIABILITIES</b>			
Other Creditors and Accruals	9	209,360	368,886
Reserve for DBI	10	20,000	20,000
Reserve for SLI	10b	15,000	-
Member Savings Deposits	11	780,504	742,434
Borrowings	12	7,332,242	5,923,161
<b>TOTAL LIABILITIES</b>		<b><u>8,357,106</u></b>	<b><u>7,054,481</u></b>
<b>EQUITY &amp; RESERVES</b>			
Paid-in-Capital	13	303,972	303,972
Retained Earnings		979,136	736,459
Subordinated Debt	14	532,765	514,102
<b>TOTAL EQUITY &amp; RESERVES</b>		<b><u>1,815,872</u></b>	<b><u>1,554,533</u></b>
<b>TOTAL LIABILITIES, EQUITY AND RESERVES</b>		<b><u>10,172,978</u></b>	<b><u>8,609,014</u></b>

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

**SPBD MICROFINANCE (SAMOA), LTD.  
INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	31-Dec-13 WST (\$)	31-Dec-12 WST (\$)
<b>Financial Income</b>			
Interest Income From MF Loans		2,616,313	2,336,727
Insurance on Loans		262,636	238,512
Death Benefit Insurance		63,987	71,949
Spouse Life Insurance		7,590	-
Savings Fees		18,213	16,075
Interest on Bank accounts and Term Deposits		40,498	24,906
Loan Recoveries	22	26,492	-
Resignation Fees	23	32,243	-
<b>Financial Income Sub-Total</b>		<b>3,067,970</b>	<b>2,688,169</b>
<b>Financial Expenditures</b>			
Interest Expense		154,602	164,847
Interest on overdraft Facilities		277,784	239,408
<b>Financial Expenditures Sub-Total</b>		<b>432,385</b>	<b>404,255</b>
<b>Net Financial income</b>		<b>2,635,585</b>	<b>2,283,914</b>
<b>Loan Loss Provision</b>	15a	<b>53,083</b>	<b>102,032</b>
<b>DBI Provision</b>	15b	<b>23,000</b>	<b>23,000</b>
<b>SLI Provision</b>	15c	<b>21,000</b>	
<b>Net Financial margin</b>		<b>2,538,502</b>	<b>2,158,882</b>
<b>Operating Expense</b>	16	<b>2,045,448</b>	<b>1,688,434</b>
<b>Net Operating Income</b>		<b>493,054</b>	<b>470,448</b>
<b>Non operating Revenue</b>	17	<b>24,485</b>	<b>90,159</b>
<b>Non operating expenses</b>	18	<b>185,105</b>	<b>124,317</b>
<b>Net Profit before income Tax</b>		<b>332,434</b>	<b>436,290</b>
Less: Income Tax Expense	19	89,757	271,754
<b>Net Profit after Income Tax Expense</b>		<b>242,677</b>	<b>164,536</b>

*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 2013**

Notes	Issued and Paid Up Capital \$	Non-dilutive equity \$	Subordinated debt \$	Retained Earnings/Losses \$	Total \$
Balance at 1 January 2013	88,094	215,878	514,102	736,459	1,554,533
Issued During the Year			18,663		18,663
Net Profit				242,677	242,677
Balance at 31 December 2013	88,094	215,878	532,765	979,136	1,815,873

**In 2013, the subordinated debt was increased by \$18,663 after restating the liabilities by using the year end US\$ rate.**

**SPBD MICROFINANCE (SAMOA), LTD.**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

Notes	31-Dec-13 WST (\$)	31-Dec-12 WST (\$)
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Interest Received	2,616,313	2,336,727
Fees Received	334,212	351,981
Interest Paid on Loans	(470,113)	(455,475)
Cash paid to suppliers & employees	(2,093,573)	(1,731,408)
Other receipts	(4,203)	(17,559)
	<u>382,636</u>	<u>484,266</u>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Loans Disbursement	(10,305,027)	(9,306,769)
Loans Repayment	9,799,019	8,694,354
Payments for Property, plants & equipment	(466,129)	(42,772)
Receipts from disposal of fixed assets	18,500	-
	<u>(953,637)</u>	<u>(655,187)</u>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	1,985,012	2,660,200
Repayments of Long Term Borrowings	(1,053,404)	(2,687,768)
Member Savings	38,070	86,365
Grant's during the Year	-	89,619
	<u>969,678</u>	<u>148,416</u>
<b>NET INCREASE/(DECREASE) IN CASH AND IN BANKS</b>	<u>398,678</u>	<u>(22,505)</u>
<b>OPENING CASH BALANCE/DATE OF TRANSFER</b>	<u>1,791,236</u>	<u>1,813,740</u>
<b>CLOSING BALANCE</b>	<u>2,189,914</u>	<u>1,791,236</u>

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

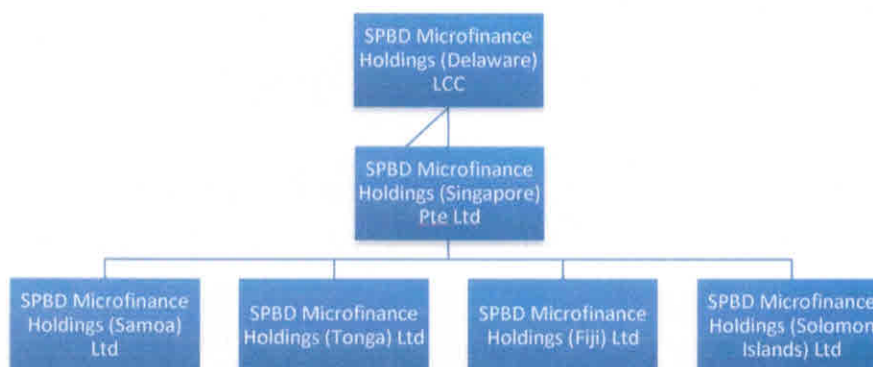
**SPBD MICROFINANCE (SAMOA), LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. GENERAL INFORMATION**

SPBD Microfinance (Samoa), Ltd. (“SPBD”), was incorporated under the Companies Act 2001 on the 13<sup>th</sup> 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 ongoing 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 Ltd incorporated in Singapore which is its ultimate parent company. This transformation formally links SPBD Microfinance Ltd (Samoa),(Tonga), (Fiji) and (Solomon Islands) as sister organizations and 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 Manono islands.

SPBD acquired the business License certificate Number 234275 from the Inland Revenue Services, Government of Samoa to carry on the business or economic activity of financial leasing.

As at 31 December 2013, SPBD has 30 staff of whom 9 are assigned in Savaii office and 21 in the Head Office in Apia.

**SPBD MICROFINANCE (SAMOA), LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**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

**SPBD MICROFINANCE (SAMOA), LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**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:

	<b>31-Dec-13</b>	<b>31-Dec-12</b>
NZD/WST	0.5092	0.5243
USD/WST	0.4181	0.4299
EUR/WST	0.2986	0.3208

**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% as insurance on 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 insurance 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.

*Premium revenue*

Premium revenue on the death benefit policy offered by the company is recognised in the period in which the premiums are earned during the term of the contract. In this case the premium is a one off payment paid at the time the loan is disbursed to the customer.

**SPBD MICROFINANCE (SAMOA), LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

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**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 jobs 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.

**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.

**SPBD MICROFINANCE (SAMOA), LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**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.

**SPBD MICROFINANCE (SAMOA), LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**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 the Bank 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 Bank'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 transaction costs incurred. They are measured subsequently at amortised cost using the effective interest method.



**SPBD MICROFINANCE (SAMOA), LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**p. Comparatives**

This is the third year of operation for the Company and the 2012 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.

SPBD MICROFINANCE (SAMOA), LTD.  
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4. CASH AND BANK BALANCES

	31-Dec-13 WST (\$)	31-Dec-12 WST (\$)
<b>Cash on Hand</b>		
Petty Cash	707	707
Savaïi Imprest	1,500	-
Upolu Imprest	3,000	-
<b>Sub-Total</b>	<u>5,207</u>	<u>707</u>
<b>Bank Balances - Unrestricted</b>		
Euros	41,219	70,024
United States Dollars	25,867	20,736
Samoan Tala	91,023	-
<b>Sub-Total</b>	<u>158,109</u>	<u>90,760</u>
<b>Bank Balances - Restricted to Members Savings</b>		
Samoan Tala Term Deposits	286,936	280,404
Samoan Tala Current Account	558,132	261,231
<b>Total Non-Current Assets</b>	<u>845,068</u>	<u>541,635</u>
<b>Bank Balances - Restricted for security for overdraft facilities</b>		
Euro Term Deposit (ANZ OD Facility)	149,597	131,733
USD Term Deposit - (OD Facility - ANZ)	115,029	111,001
Samoan Tala Term Deposit (ANZ OD Facility)	764,169	790,971
USD Term Deposit - (OD Facility - SCB)	101,267	94,169
SPBD Samoan Tala - WESTPAC	51,468	30,260
<b>Sub-Total</b>	<u>1,181,530</u>	<u>1,158,134</u>
<b>TOTAL CASH AND BANK BALANCES</b>	<u>2,189,914</u>	<u>1,791,236</u>

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**5. LOANS RECEIVABLE**

	<b>31-Dec-13</b>	<b>31-Dec-12</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>
Total Disbursements (Accumulative Since Inception)	65,429,772	55,127,755
Less: Repayments (Accumulative Since Inception)	(58,556,446)	(48,984,552)
Writte Off Loans	<u>(871,396)</u>	<u>(807,166)</u>
<b>Gross Loan Receivable</b>	<b>6,001,930</b>	<b>5,336,037</b>
Less: Loan Contingency Reserve	<u>(19,561)</u>	<u>(30,710)</u>
	<b><u>5,982,369</u></b>	<b><u>5,305,327</u></b>

**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 27.00% 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 WST6,000. New client members may borrow from WST500 to WST 1,000.
- ii) 17-week Loans 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. The main focus is SPBD clients who have maintained a very good business. Phase I and Phase II of this new product have already been launched in 2013. Loan amount ranges from \$7,500 to \$15,000.
- iv) OWL is the 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. SPBD provides unsecured credit which ranges from \$1,500 to \$2,500 to seasonal workers to pay for visa fees, airfares, and all other related travel costs.

**Related Party Transactions (Individual SPBD Staff Loans)**

<u>Borrower</u>	<u>Balance (WST)</u>	<u>Term</u>	<u>Status</u>
Staff	\$124,354	3 to 24 months	Current

The above balance of \$124,354 for Related Party transactions is included in the Gross loan receivable of WST 6,001,930 as at 31 December 2013.

**SPBD MICROFINANCE (SAMOA), LTD.  
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**6. OTHER RECEIVABLES**

	31-Dec-13	31-Dec-12
	\$	\$
Prepaid insurance	4,569	2,768
Others (Deposit/Travel advance)	11,641	11,641
Interest due	15,348	15,348
Employee Receivable	54,914	54,318
Less: Employee Receivable Provisioning	(51,348)	(51,348)
Other Receivable – Debit Memo	465,949	<b>348,930</b>
	<b>501,073</b>	<b>381,657</b>

Debit Memo is used by most members to make weekly repayments or to pay off a loan, without using cash. The above amount is 2013 total debit memo, and it is a direct debit into Savings Account, which requires to be reimbursed.

**7. GOODWILL**

The value of SPBD foundation over and above the value of its assets resulting from the reputation established with clients, lenders, 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
<i>GROSS CARRYING AMOUNTS</i>						
Balance as at 1 Jan 2013	16,249	36,695	38,681	219,040	617,850	928,515
Additions	40,428	27,129	11,556	11,510	375,500	466,123
Disposal	(16,249)	(22,687)	(27,527)	(118,471)	(445,650)	(630,584)
Adjusted amount re: written off						-
<b>Balance as at 31 Dec 2013</b>	<b>40,428</b>	<b>41,137</b>	<b>22,710</b>	<b>112,079</b>	<b>547,700</b>	<b>764,054</b>
Accumulated Depreciation						
Balance as at 1 Jan 2013	16,249	32,286	37,070	189,559	501,740	776,904
Depreciation for the year	6,738	10,616	5,961	10,730	78,879	112,924
Disposals	(16,249)	(22,687)	(27,527)	(118,471)	(445,650)	(630,584)
Adjusted amount			4,598.00	(20,226)		(15,628)
<b>Balance as at 31 Dec 2013</b>	<b>6,738</b>	<b>20,215</b>	<b>20,102</b>	<b>61,592</b>	<b>134,969</b>	<b>243,616</b>
<b>Net Book Value 2013</b>	<b>33,690</b>	<b>20,922</b>	<b>2,608</b>	<b>50,487</b>	<b>412,731</b>	<b>520,438</b>

Seven vehicles were bought in 2013 (6 new vehicles + 1 second-hand) to replace the old fleet, in order to reduce maintenance costs. The total amount of disposed vehicles received in 2013, was allocated to Profit & Loss Account as Gain on Disposals.

In 2013, all fully depreciated assets that are no longer in use have been written off/disposed of, hence accumulated depreciation has dropped significantly.

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**9. OTHER CREDITORS AND ACCRUALS**

	<b>31-Dec-2013</b>	<b>31-Dec-2012</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>
Interest Payable	45,170	23,248
Accrued expenses and other payables	30,510	41,105
Income Tax Payable	64,737	271,754
Unearned Insurance (DBI)	45,054	32,779
Unearned SLI	23,889	-
<b>Total</b>	<b>209,360</b>	<b>368,886</b>

The Income Tax Payable detail is as follow.

Income Tax - 2013	89,758
Less: Payment made	<u>25,021</u>
<b>Total Income Tax Payable</b>	<b>64,737</b>

**10. RESERVE FOR DEATH BENEFIT INSURANCE**

The reserve is calculated based on 2013 number of members passed away, to ensure we provision enough to cover for 2014 DBI.

	<b>31-Dec-2013</b>	<b>31-Dec-2012</b>
	<b>WST(\$)</b>	<b>WST (\$)</b>
DBI Reserve	20,000	15,000
SLI Reserve	<u>15,000</u>	<u>-</u>
<b>Total Reserve</b>	<b>35,000</b>	<b>15,000</b>

***Unearned Insurance for DBI***

Unearned Insurance refers to a portion of client's insurance premium that relates to a future period. Only earned insurance shall be recognised in the Income statement, and unearned insurance to record as liability.

	<b>31-Dec-2013</b>	<b>31-Dec-2012</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>
Total insurance income	76,262	63,440
Less: Earned insurance premiums	<u>31,208</u>	<u>30,661</u>
<b>Total unearned insurance as per above</b>	<b>45,054</b>	<b>32,779</b>

***Unearned Insurance for SLI***

Unearned Insurance refers to a portion of client's insurance premium that relates to a future period. Only earned insurance shall be recognised in the Income statement, and unearned insurance to record as liability.

	<b>31-Dec-2013</b>	<b>31-Dec-2012</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>
Total insurance income	31,479	-
Less: Earned insurance premiums	<u>7,590</u>	<u>-</u>
<b>Total unearned insurance as per above</b>	<b>23,889</b>	<b>-</b>

**SPBD MICROFINANCE (SAMOA), LTD.**  
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**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 7<sup>th</sup>, 2004 following a 3 month pilot-test period and required consultations with the Central Bank of Samoa. Any SPBD new member can open up a savings account with a minimum \$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 therefore use client deposits for on-lending. Members can withdraw money with prior notice or anytime for emergencies. SPBD provides a monthly savings report to the 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 WESTPAC Bank. Details of customer deposits by bank are as follows:

	31-Dec-13	31-Dec-12
	\$	\$
WESTPAC	780,504	541,635
ANZ	-	200,799
<b>Total</b>	<b>780,504</b>	<b>742,434</b>

**12. BORROWINGS**

	Note	31-Dec-13	31-Dec-12
		\$	\$
<i>Unsecured soft term loans:</i>			
Kiva Micro funds	(ii)	941,166	900,057
David Adams	(iii)	9,567	9,304
Whole Planet Finance	(iv)	1,124,653	775,815
OikoCredit	(v)	119,571	333,965
MicroDreams	(ix)	508,766	1,014,143
<i>Secured overdraft borrowing facilities:</i>			
Westpac Bank Samoa	(x)	46,190	28,176
ANZ Bank	(xi)	2,881,912	2,671,329
SCB	(xii)	(8,893)	59,920
Samoa National Provident Fund	(xiii)	1,428,727	-
WESTPAC (Vehicle Lease)	(xiv)	280,583	-
		<b>7,332,242</b>	<b>5,923,160</b>

**SPBD MICROFINANCE (SAMOA), LTD.  
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The above borrowings are analyzed as follows:

Unsecured Soft Term Loans	Ref Nos	Maturity Dates	Foreign Currencies	Interest Rate	Opening Balance 1/01/2013	Payment Made	Funds Received	Balance 31/12/2013	Samoa Tala Equivalent
KIVA Microfunds	(ii)	on-going	USD	0%	386,934	62,232	55,665	393,501	941,166
David Adams	(iii)	31/12/2015	USD	0%	4,000	-	-	4,000	9,567
Whole Planet Finance	(iv)	31/12/2015	WST	0%	775,815	-	348,838	1,124,653	1,124,653
Oikocredit	(v)	4/02/2014	EURO	9.25%	107,136	71,432	-	35,704	119,571
Cresud	(vi)	31/03/2013	EURO	9%	12,000	12,000	-	-	-
DBMF		24/08/2013	USD	5%	40,000	40,000.00	-	-	-
MicroDreams	(ix)	31/12/2015	USD	7%	50,000	50,000	-	-	-
		30/09/2014	USD	7%	200,000	200,000	-	-	-
		31/12/2014	WST	6%	200,000	50,000	-	150,000	150,000
		31/12/2015	USD	7%	150,000	-	-	150,000	358,766
National Provident Fund	(xiii)	30/09/2018	WST	9.50%	-	-	1,500,000	71,274	1,428,726
WESTPAC (Vehicle Facility)	(xiv)	31/08/2016	WST	9.25%	-	-	362,000	81,416	280,584
<b>Total Soft Loans</b>									<b>4,413,033</b>
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
WESTPAC Bank - 119731		on-going	WST	9.75%	46,000	2,789	Standby LOC	GBP 10,000	46,190
ANZ Bank (Samoa) Ltd	(xi)	on-going	WST	10.5%	3,000,000	118,088	Term Deposit	1,000,000	2,881,912
Samoa Commercial Bank	(xii)	on-going	WST	10.50%	300,000	308,893	Term Deposit	USD\$40,000	(8,893)
<b>Total Secured Overdraft</b>									<b>2,919,209</b>
<b>Total Borrowings</b>									<b>7,332,242</b>

**By currency**

Currency	31-Dec-13	31 Dec-12
Samoa Tala	5,903,172	3,735,240
US Dollar	1,309,499	1,816,549
Euro	<u>119,571</u>	<u>371,371</u>
<b>Total</b>	<b><u>7,332,242</u></b>	<b><u>5,923,160</u></b>

**SPBD MICROFINANCE (SAMOA), LTD.  
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**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 during the year increasing the total capital of SPBD

	31-Dec-13	31-Dec-12
	WST (\$)	WST (\$)
Equity Investment from SPBD Microfinance Holdings (Singapore)Pte Ltd	303,972	201,044
Non-dilutive equity grant from Transformative Ventures LLC		102,928
<b>Total</b>	<b><u>303,972</u></b>	<b><u>303,972</u></b>

**14. QUASI-EQUITY/SUBORDINATED DEBT**

**Gregory F Casagrande**

This is a long term, 0% interest loan from Gregory F. Casagrande, SPBD's Founder, Chairman and President. The loan has been used, since 2000, to finance the start-up and growth of SPBD. The loan with Mr. Casagrande is governed by a master loan agreement, the major provision of which includes 0% interest rate, and a quarterly repayment schedule going through to 31 December 2012.

	Currency	% rate p.a	Maturity Date	Beginning Balance	Availment balance	Repayments	Ending Balance	Amount in WST (\$)
GFC 2	USD	0.0%	31 Dec 12	222,749			222,749	532,765
<b>Total</b>								<b><u>532,765</u></b>

**15. LOAN LOSS PROVISIONING**

**a) Summary**

	31-Dec-13	31-Dec-12
	WST (\$)	WST (\$)
Loan loss provision	36,360	86,371
Loan Insurance loss provision	16,723	15,660
Total Loan Loss Provisioning	<b><u>53,083</u></b>	<b><u>102,031</u></b>

**b) Death Benefit Insurance Provision** **23,000** **23,000**

**c) SLI Loan Loss Provisioning** **21,000** **-**



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**b) 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.

<b>Provisioning Ratios for Group Loans</b>	<b>Loan loss provision</b>	<b>Loan Outstanding</b>	<b>Loan Loss Prov. Amt.</b>
1 week to 4 weeks late (<30 days)	5%	197,353	9,868
5 weeks to 8 weeks late (30 to 60 days)	10%	7,461	746
9 weeks to 12 weeks late (60 to 90)	25%	1,133	283
13 weeks to 16 weeks late (90 to 120)	50%	3,984	1,992
17 weeks to 20 weeks late (120 to 140)	75%	-	-
21 weeks or more (150 + days)	100%	6,781	6,672
<b>TOTAL PROVISIONING AS OF 31 DEC 2013</b>			<b>19,561</b>

SPBD provides a 100% provision for loan losses for loans overdue for 21 weeks or more. The above calculation is the net result after 2013 writing off loans have been taken off. The total provisioning in 2013 is \$19,561, as per Loan Contingency Reserve at 31 December 2013.

**c) Write-offs**

<b>Loan Type</b>	<b># of Loans</b>	<b>Write off WST</b>	<b>Amount as % of Loan Portfolio</b>
Loan Insurance Losses	19	16,723	0.27%
Loans Written Off – 2013	195	47,508	0.70%
<b>Total</b>	<b>214</b>	<b>64,231</b>	<b>1.07%</b>

19 SPBD members passed away in 2013. Their loans outstanding were written off as per the Loan Insurance policy.

The decision as to which loans to write off in 2013 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-offs in 2013 have been approved by the President.

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**d) Movements**

**i) Movement in Loan Loss Insurance**

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

	<b>2013 WST (\$)</b>	<b>2012 WST (\$)</b>
Loan Loss Reserve – January 1	30,727	18,535
Plus: Additional reserve	53,065	102,032
Loan Loss Expense for the Year (RE)	16,723	15,660
Loans written off	47,508	74,180
Loan Loss Reserve 31 December	19,561	30,727

**ii) Movement in Insurance Loan Loss Reserve**

	<b>2013 WST (\$)</b>	<b>2012 WST (\$)</b>
Loan Loss Reserve Jan 1, 13	16,723	
Loan Loss expense for the year	16,723	
		15,660
Insurance Loan Loss Reserve	Nil	15,660

**iii) Movement in Insurance Death Benefits Reserve**

	<b>2013 WST (\$)</b>	<b>2012 WST (\$)</b>
Loan Loss Reserve Jan 1	20,000	15,000
DBI Additional Reserve	23,000	23,000
<b>Payment made</b>	23,000	18,000
DBI Reserve 2013	20,000	20,000

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

**iv) Movement in Insurance Spouse Life Insurance Reserve**

	<b>2013 WST (\$)</b>	<b>2012 WST (\$)</b>
Loan Loss Reserve Jan 1	-	
SLI Additional Reserve	21,000	
<b>Payment made</b>	6,000	
SLI Reserve 2013	15,000	

SLI Reserve is increased by quarterly provisioning expense and decreased by actual payment made to beneficiaries of deceased SPBD members.

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**16. OPERATING EXPENSE**

	<b>31-Dec-13</b>	<b>31-Dec-12</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>
<b>Operating Expense</b>		
Accident Compensation Board	3,829 <sup>x</sup>	5,237
Bank Charges	7,973	19,804
Guarantee Fees	72,382	7,808
Communications	109,630 <sup>✓</sup>	89,239
Depreciation	112,924	49,064
Insurance	17,618	9,446
National Provident Fund	23,407 <sup>x</sup>	23,739
Office Expense	18,023	12,842
Other Expenses	20,237 <sup>✓</sup>	8,821
Printing and Stationeries	64,935	53,289
Professional Services	290,628	165,413
Public Relations	4,992	1,740
Rental Expenses	183,386	105,245
Repairs and Maintenance	45,366	55,208
Salaries and Wages	875,049	892,118
Taxes and Fees	6,840	4,833
Training	7,619	3,758
Transportation	148,818	135,751
Travel	31,792	45,078
<b>Operating Expenditures Sub-Total</b>	<b><u>2,045,448</u></b>	<b><u>1,688,434</u></b>

**17. NON-OPERATING REVENUES**

**Grants**

SPBD received a small amount of grant funding of WST3,500 for Business Women of the Year Awards.

	<b>31-Dec-13</b>	<b>31-Dec-12</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>
Grant - including donations for the Annual Awards	3,500	89,619
Miscellaneous Income	1,343	540
Foreign Exchange Loss	1,142	-
Gain from Disposal of Fixed Assets	18,500	-
<b>Total Non Operating Revenue as per P &amp; L</b>	<b><u>24,485</u></b>	<b><u>90,159</u></b>

**SPBD MICROFINANCE (SAMOA), LTD.  
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**18. NON-OPERATING EXPENSES**

Non-operating expenses are cost incurred as part of SPBD's social mission and commitment to recognize the success of SPBD clients (Annual Businesswoman Award) and to build the capacity of clients in running their business (Inspiration Scheme in partnership with The Body shop/Wise Foundation). In October 2012, the Financial Literacy Program was launched for a pilot test in Samoa, and the full roll out will be done in 2013. All costs related to this new initiative/program including consultants costs were all covered under non –operating expenses.

	<b>31-Dec-13</b>	<b>31-Dec-12</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>
Annual Events - Womens Award	27,935	11,274
Foreign Exchange Loss	53,748	23,262
Financial Literacy Project/Training	<u>103,422</u>	<u>89,781</u>
Total Non-Operating Expenses as per P & L	<u><b>185,105</b></u>	<u><b>124,317</b></u>

**19. INCOME TAX EXPENSE**

	<b>31-Dec-13</b>	<b>31-Dec-12</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>
Net Profit before Tax	332,434	436,290
Income Tax Rate@27%	89,757	271,754

**Income Tax Expense & Payable**

<b>Beginning Balance 01/01/2013</b>	<b>271,754</b>
<b>Expense for the year</b>	<b>89,757</b>
<b>Payment made during the year</b>	<b>(296,774)</b>
<b>Ending Balance</b>	<b><u>64,737</u></b>

**20. OPERATING LEASE COMMITMENTS**

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

	<b>31-Dec-13</b>	<b>31-Dec-12</b>
	<b>WST \$</b>	<b>WST \$</b>
Less than one year	102,000	74,854
	<u>102,000</u>	<u>74,854</u>

**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'.

**SPBD MICROFINANCE (SAMOA), LTD.  
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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 practices.

**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 an adequate amount of committed credit facilities.

The Company has incurred a significant amount of indebtedness and evaluates its ability to meet these obligations on an ongoing basis. Based on these evaluations the Company devises strategies to manage liquidity risk including maintaining 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 solvency and financial flexibility at all times. For this purpose, the Company has net cash balances of \$2.18 million tala at 31 December 2013.
- 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 2013 based on contractual undiscounted payments:

	Within 1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Borrowings	237,543	287,699	6,807,000		7,332,242
Creditors		209,360			209,360
Total financial liabilities	237,543	497,059	6,807,000		7,541,602

**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 instruments 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 by 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.

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***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 2013, if the Tala had 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 \$53,748 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. SPBD has no floating rate instruments.

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 2013, 41.00% of the interests bearing liabilities were denominated in US dollars and Euros.

**c) *Credit risk***

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

SPBD Center Managers and Team Leaders receive 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 SPBD and the financial services offered. Potential clients must attend all sessions and have to undergo the final test to check their understanding of the SPBD Program. All potential clients must adhere to the five commitments 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 submits them 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 understands the terms and conditions of the loan

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**22. Loan Recoveries**

Loan Recoveries are the total amount of payments collected from loans that have already been written off in the SPBD books of account. In 2013, SPBD was able to collect some payments from defaulted loans and put into the Profit & Loss account.

**23. Resignation Fees**

Resignation fees are classified as fees SPBD received from members who exited the program, and as per the savings policy, any member who wishes to leave the program will need to pay a \$10 fee to close the savings account. There has not been any fees in the previous years, so the amount recognised in 2013 also includes previous years fees, for all our exiting members.

**24. Events after statement of financial position date**

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

**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 the SPBD Credit manual. Staff loans are made under the provisions of the employee loan program as outlined under the SPBD Human Resources Policy Manual.

SPBD offers two group loan products: (1) 52-week loan product and (2) 17-week loan product. Minimum first loan sizes are ST\$500 and ST\$300 respectively. Both loans are amortized in weekly instalments. Both loan types are unsecured. The first loan (regardless of loan product) should be used exclusively to expand or establish a microenterprise to be managed by the client herself. Subsequent loans can be used for any or a combination of the following purposes: business, home improvement and education of children. Loans are disbursed at the SPBD office 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 during 2013**

Loan Type	# of Loans New	Principal Amount	Amount as % of Total Portfolio
Group loans (New)	1,916	1,916,000	23%
Group loans (Existing)	4,600	8,266,980	76%
Staff loans	81	122,047	1%
Total	6,597	10,305,027	100%
<i>Ave loan Size at disbursement</i>		\$ 1,562	

**Loans Disbursed during 2012**

Loan Type	# of Loans New	Principal Amount	Amount as % of Total Portfolio
Group loans (New)	2,341	2,126,550	23%
Group loans (Existing)	4,102	7,100,849	76%
Staff loans	44	79,370	1%
Total	6,487	9,306,769	100%
<i>Ave loan Size at disbursement</i>		\$ 1,434	

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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**

A priority of SPBD staff is to keep the loan portfolio healthy. They strictly apply the credit rules and policies outlined in the SPBD Credit Manual. As SPBD only offers unsecured loans, we rely on good clients and project 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, a knowledge test, loan application and loan interview, and is regularly reinforced through weekly meetings and periodic trainings.

Loan Types	# of Accounts	31-Dec-13			31-Dec-12		
		Outstanding Principal Balance	PAR Amount WST\$	PAR > 30 Days (%)	Outstanding Principal Balance	PAR Amount WST\$	PAR > 30 Days (%)
<b>Group Loans</b>							
Current	6,219	5,660,865			5,004,750		
1-4 weeks late	200	197,353			206,457		
5-8 weeks late	17	7,461	7,461	0.12%	7,913	7,913	0.14%
9-12 weeks late	3	1,133	1,133	0.02%	2,890	2,890	0.05%
13-16 weeks late	4	3,984	3,984	0.07%	3,503	3,503	0.06%
17-20 weeks late	1	433	433	0.01%	-	-	0.00%
over 21 weeks late	28	6,347	6,347	0.10%	17,139	17,139	0.31%
<b>Sub-total</b>	<b>6,472</b>	<b>5,877,576</b>	<b>19,358</b>	<b>0.32%</b>	<b>5,242,652</b>	<b>31,445</b>	<b>0.58%</b>
<b>Staff Loans</b>							
Current	139	124,354			93,386		
over 4 weeks in arrears							
<b>Grand Total</b>	<b>6,611</b>	<b>6,001,930</b>	<b>19,358</b>	<b>0.32%</b>	<b>5,336,038</b>	<b>31,445</b>	<b>0.58%</b>

SPBD defines portfolio at risk (PAR) as:

Outstanding principal amount of all loans that have one or more instalments of principal past due by 30 days

Gross Loan Portfolio

A loan is considered in arrears when a due weekly payment is missed and that group guarantee does not work. SPBD does not have any late or penalty fees. SPBD staff then follows the procedures outlined in



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

	31/12/2013	31/12/2012
Number of outstanding loan accounts	6,611	6,482

**Savings Accounts**

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

	31/12/2013	31/12/2012
Number of savings accounts	16,140	14,401

**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.