



SPBD MICROFINANCE (SAMOA) LTD.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**SPBD MICROFINANCE (SAMOA), LTD.
STATEMENT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2015.

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 6,000 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 2015 are set out in the income statement. SPBD made a pre-tax profit of WST \$524,389, 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.

**SPBD MICROFINANCE (SAMOA), LTD.
STATEMENT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015**

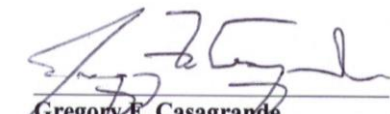
RESPONSIBILITIES OF THE BOD IN RESPECT OF THE FINANCIAL STATEMENTS

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 2015, 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 then apply them consistently,
- ii.** Maintain adequate accounting records and an effective system of internal controls;
- iii.** Prepare the financial statements on a going concern basis unless it is inappropriate to assume that SPBD will continue operation in the foreseeable future;
- iv.** Set overall policies for SPBD, ratify all decisions and actions by the management that have a material effect on the operation and performance of SPBD, and ensure they have been properly reflected in the financial statements.

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

On behalf of the Board of Directors,



Gregory F. Casagrande
Chairman
Date: 3 March 2016

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

We have audited the accompanying financial report of SPBD Microfinance (Samoa) Ltd, which comprises the statement of balance sheet as at 31 December 2015, 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, 2015 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.
Chartered Accountants

Apia, 3 March 2016

SPBD MICROFINANCE (SAMOA), LTD.
BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	31-Dec-15 WST (\$)	31-Dec-14 WST (\$)
ASSETS			
Cash on Hand and at Bank	4	2,683,347	2,987,949
Loans Receivables	5	8,217,669	6,992,500
Other Receivables	6	351,209	496,796
Goodwill	7	979,183	979,183
Property and Equipment	8	304,199	415,779
TOTAL ASSETS		<u>12,535,607</u>	<u>11,872,207</u>
LIABILITIES			
Other Creditors and Accruals	9	76,622	246,509
Reserve for DBI	10	15,000	15,000
Reserve for SLI	10a	15,000	15,000
Member Savings Deposits	11	882,904	1,041,220
Borrowings	12	9,581,635	8,405,023
TOTAL LIABILITIES		<u>10,571,161</u>	<u>9,722,752</u>
EQUITY & RESERVES			
Paid-in-Capital	13	303,972	303,972
Retained Earnings	14a	1,660,474	1,312,718
Preference Shares	14	-	532,765
TOTAL EQUITY & RESERVES		<u>1,964,446</u>	<u>2,149,455</u>
TOTAL LIABILITIES, EQUITY AND RESERVES		<u>12,535,607</u>	<u>11,872,207</u>

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

SPBD MICROFINANCE (SAMOA), LTD.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31-Dec-15 WST (\$)	31-Dec-14 WST (\$)
Financial Income			
Interest Income From MF Loans		2,995,509	2,792,431
Insurance on Loans		367,576	326,970
Death Benefit Insurance		108,324	91,352
Spouse Life Insurance		67,206	50,438
Savings Fees		18,611	18,902
Interest on Bank accounts and Term Deposits		33,002	36,130
Loan Recoveries	22	4,147	7,680
Resignation Fees	23	-	-
Development Fees	23a	404,798	158,541
Miscellaneous Income		15,628	485.00
Financial Income Sub-Total		4,014,801	3,482,929
Financial Expenditures			
Interest Expense		18,987	70,044
Interest on overdraft Facilities		580,501	461,815
Foreign Exchange Loss		152,263	14,886
Financial Expenditures Sub-Total		751,750	546,745
Net Financial income		3,263,050	2,936,184
Loan Loss Provision	15a	100,458	54,807
DBI Provision	15b	19,000	13,000
SLI Provision	15c	20,000	22,000
Net Financial margin		3,123,592	2,846,377
Operating Expense	16	2,605,603	2,265,305
Net Operating Income		517,989	581,072
Non operating Revenue	17	6,400	8,250
Non operating expenses	18	-	34,095
Net Profit before income Tax		524,389	555,228
Less: Income Tax Expense	19	146,213	176,620
Net Profit after Income Tax Expense		378,176	378,607

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 2015**

Notes	Issued and Paid Up Capital \$	Non-dilutive equity \$	Redeemable Preference Shares \$	Retained Earnings/Losses \$	Total \$
Balance at 1 January 2015	88,094	215,878	532,765	1,312,718	2,149,455
Dividend Paid During the Year			(532,765)	(30,420)	(563,185)
Net Profit				378,176	378,176
Balance at 31 December 2015	88,094	215,878	-	1,660,474	1,964,446

In 2015, SPBD Samoa paid a final dividend amount of ST\$30,420 and a Redeemable/Preference Shares amount of ST\$532,765 to SPBD Microfinance (Singapore) Holding Pte Ltd.

SPBD MICROFINANCE (SAMOA), LTD.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
CASHFLOW FROM OPERATING ACTIVITIES		
Interest Received	2,995,509	2,792,431
Fees Received	958,471	690,499
Interest Paid on Loans	(580,501)	(520,377)
Cash paid to suppliers & employees	(2,506,051)	(2,310,563)
Other receipts	22,028	8,250
	<u>889,456</u>	<u>660,240</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Loans Disbursement	(13,697,245)	(11,870,522)
Loans Repayment	12,378,960	10,807,843
Payments for Property, plants & equipment	(6,551)	(35,392)
	<u>(1,324,836)</u>	<u>(1,098,071)</u>
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	3,303,076	3,323,393
Repayments of Long Term Borrowings	(3,160,705)	(2,348,252)
Member Savings	(11,593)	260,725
	<u>130,778</u>	<u>1,235,866</u>
NET INCREASE/(DECREASE) IN CASH AND IN BANKS	<u>(304,602)</u>	<u>798,035</u>
OPENING CASH BALANCE/DATE OF TRANSFER	<u>2,987,949</u>	<u>2,189,914</u>
CLOSING BALANCE	<u>2,683,347</u>	<u>2,987,949</u>

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

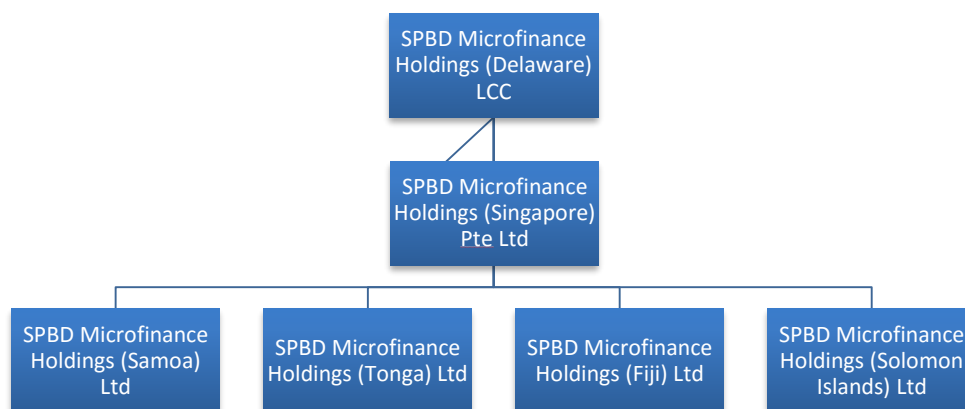
**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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) and Solomon Islands, as sister organizations 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 248327/56942 from the Ministry for Revenue Services, Government of Samoa to carry on the business or economic activity of financial leasing.

As at 31 December 2015, SPBD has 30 staff of whom 8 are assigned in Savaii office and 22 in the Head Office in Apia.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015

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-15	31-Dec-13
NZD/WST	0.5458	0.5100
USD/WST	0.3766	0.4042
EUR/WST	0.3388	0.3255

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 in the past offered by the company was recognised in the period in which the premiums were 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. In 2015, it was decided to recognise the one off payment premium in the year in which the payment is occurred. Provisions for death benefit insurance have been consistently accrued in the past years, thus the recognition of the premium revenue should be recognised once the premium is received.

Development Fees income

SPBD Samoa introduced a Development Fee in 2014, and reduced interest rate on group loans by the same percentage of 3% , and this has been approved by the President.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 transactions costs incurred. They are measured subsequently at amortised cost using the effective interest method.

p. Comparatives

This is the fifth year of operation for the Company and the 2014 comparative figures have been disclosed for comparison.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

4. CASH AND BANK BALANCES

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Cash on Hand		
Petty Cash	707	707
Savaïi Imprest	1,500	1,500
Upolu Imprest	3,000	3,000
Sub-Total	<u>5,207</u>	<u>5,207</u>
 Bank Balances - Unrestricted		
Euros	33,836	37,267
United States Dollars	1,142	383,152
Samoan Tala	512,906	313,812
Sub-Total	<u>547,883</u>	<u>734,231</u>
 Bank Balances - Restricted to Members Savings		
Samoan Tala Term Deposits	295,575	290,462
Samoan Tala Current Account	587,329	750,758
Total Non-Current Assets	<u>882,904</u>	<u>1,041,220</u>
 Bank Balances - Restricted for security for overdraft facilities		
Euro Term Deposit (ANZ OD Facility)		
USD Term Deposit - (OD Facility - ANZ)	126,221	118,840
Samoan Tala Term Deposit (ANZ OD Facility)	950,149	928,076
USD Term Deposit - (OD Facility - SCB)	116,856	107,400
SPBD Samoan Tala - WESTPAC	54,127	52,975
Sub-Total	<u>1,247,353</u>	<u>1,207,291</u>
 TOTAL CASH AND BANK BALANCES	<u>2,683,347</u>	<u>2,987,950</u>

SPBD MICROFINANCE (SAMOA), LTD.
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5. LOANS RECEIVABLE

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Total Disbursements (Accumulative Since Inception)	90,997,539	77,300,294
Less: Repayments (Accumulative Since Inception)	(81,743,248)	(69,364,288)
Written Off Loans	(996,931)	(926,736)
Gross Loan Receivable	8,257,360	7,009,270
Less: Loan Contingency Reserve	(39,691)	(16,770)
	8,217,669	6,992,500

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 21.00% 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 \$15,000 at 21% interest.
- 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. SPBD provides unsecured credit which ranges from \$1,500 to \$2,500 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.

Related Party Transactions (Individual SPBD Staff Loans)

<u>Borrower</u>	<u>Balance (WST)</u>	<u>Term</u>	<u>Status</u>
Staff	\$194,178	3 to 24 months	Current

The above balance of \$194,178 for Related Party transactions is included in the Gross loan receivable of WST 8,257,360 as at 31 December 2015.

**SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
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6. OTHER RECEIVABLES

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Prepaid Insurance	15,808	11,805
Others (Deposit/Travel Advance/Bond & Others)	23,641	23,641
Interest Due	15,348	15,348
Employee Receivable	62,722	54,115
Less: Employee Receivable Provisioning	(51,348)	(51,348)
Other Receivable - Debit Memo	285,039	443,235
	351,209	496,796

Debit Memo is used by most members to make weekly repayments or to pay off a loan, but delayed a payment from the members' savings fund. Debit memos require to be reimbursed in 2016.

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
<i>GROSS CARRYING AMOUNTS</i>						
Opening Balance 01 Jan 2015	40,428	55,497	22,963	120,707	559,851	799,446
Additions - 2015			799	5,752	-	6,551
Balance as at 31 Dec 2015	40,428	55,497	23,762	126,459	559,851	805,997
Accumulated Depreciation						
Opening Balance 01 Jan 2015	14,824	32,611	25,975	75,296	234,962	383,668
Depreciation for the year - 2015	8,086	15,836	708	10,177	83,324	118,130
Balance as at 31 Dec 2015	22,909	48,447	26,683	85,473	318,286	501,798
Net Book Value 2015	17,519	7,050	(2,922)	40,987	241,565	304,199

We purchased 1 used printer from the auction organised by the US Embassy, and plus 3 other small items that we bought in the year 2015. The 2014 table is also provided for comparison.

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	Leasehold Improvements	Furniture & Fittings	Office Equipment	Computer Equipment & Peripherals	Vehicle	Total
<i>GROSS CARRYING AMOUNTS</i>						
Balance as at 1 Jan 2014	40,428	41,137	22,710	112,079	547,700	764,054
Additions		14,360	253	8,628	12,151	35,392
Balance as at 31 Dec 2014	40,428	55,497	22,963	120,707	559,851	799,446
Accumulated Depreciation						
Balance as at 1 Jan 2014	6,738	20,215	20,102	61,592	134,969	243,616
Adjusted accumulated depreciation Depreciation for the year	8,086	12,395	5,873	13,704	99,993	140,051
Balance as at 31 Dec 2014	14,824	32,610	25,975	75,296	234,962	383,667
Net Book Value 2014	25,604	22,886	(3,013)	45,412	324,889	415,779

9. OTHER CREDITORS AND ACCRUALS

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Interest Payable	-	9,791
Accrued Expenses & Other Payables	107,029	75,709
Income Tax Payable	(30,407)	115,817
Unearned Insurance (DBI)	-	25,860
Unearned SLI	-	19,332
Total	76,622	246,509

The Income Tax Payable detail is as follow.

Opening payable tax	115,817	-
Opening payable tax per audited accts		64,737
Less: Income tax paid	(115,817)	(64,702)
Less: Shortfall of 2012 tax paid		(1,000)
Less: Provision tax paid	(176,620)	(59,838)
Add: Income tax exp	146,213	176,620
Tax (Credit)/payable	(30,407)	115,817

Refer to note (19) for details of 2015 tax expenses.

10. RESERVE FOR DEATH BENEFIT INSURANCE

The reserve is calculated based on 2015 number of members passed away, to ensure we provision enough to cover for 2015 DBI.

	31 DEC 2015	31 DEC 2014
	WST (\$)	WST (\$)
DBI Reserve	15,000	15,000
SLI Reserve	<u>15,000</u>	<u>15,000</u>
Total Reserve	30,000	30,000

10a. RESERVE FOR SPOUSE LIFE INSURANCE

This reserve is calculated based on 2015 number of spouses passed away, to ensure we provision enough to cover for 2015 SLI.

SPBD MICROFINANCE (SAMOA), LTD.
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Unearned Insurance for DBI

Unearned Insurance refers to a portion of client's insurance premium that relates to a future period. In 2015, a decision was made to recognise the full premium in the year it was received. Therefore the amount of the premium is no longer amortised, the total premium will be recognised in the Profit & Loss Statement.

	31 DEC 2015	31 DEC 2014
	WST (\$)	WST (\$)
Total insurance income	82,464	72,158
Less: Earned insurance premiums	82,464	46,298
Total unearned insurance as per above	nil	25,860

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. In 2015, a decision was made to recognise the full premium in the year it was received. Therefore the amount of the premium is no longer amortised, the total premium will be recognised in the Profit & Loss Statement.

	31 DEC 2015	31 DEC 2014
	WST (\$)	WST (\$)
Total insurance income	47,874	45,880
Less: Earned insurance premiums	47,874	26,548
Total unearned insurance as per above	nil	19,332

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 there use 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-15	31-Dec-14
	WST (\$)	WST (\$)
BSP Bank	882,904	1,041,220
Total	882,904	1,041,220

12. BORROWINGS

	Note	31-Dec-15	31-Dec-14
		\$	\$
<i>Unsecured soft term loans:</i>			
Kiva Micro funds	(i)	1,015,796	1,474,277
David Adams	(ii)	10,621	9,896
Whole Planet Finance	(iii)	995,323	1,124,653
CRESUD	(iv)		989,609
Microdreams	(v)		75,000
<i>Secured overdraft and local Commercial loan facilities:</i>			
Westpac Bank Samoa	(ix)	1,336	607

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ANZ Bank	(x)	2,768,926	1,924,098
SCB	(xi)	187,730	(70,485)
Samoa National Provident Fund	(vi)	3,429,556	2,496,652
National Bank of Samoa	(viii)	1,139,527	232,434
WESTPAC (Vehicle Lease)	(vii)	32,820	148,282
		9,581,635	8,405,023

The above borrowings are analysed as follows:

Term Loans	Ref Nos	Maturity Dates	Foreign Currencies	Interest Rate	Opening Balance 1/01/2015	Payment Made	Funds Received	Balance 31/12/2015	Samoan Tala Equivalent
KIVA Microfunds	(i)	on-going	USD	0%	641,524	176,998	42,804	507,330	1,015,796
David Adams	(ii)	31/12/2015	USD	0%	4,000	-	-	4,000	10,621
Whole Planet Finance	(iii)	19/4/17,6/4/18,18/4/18	WST	0%	1,124,653	129,330.00	-	995,323	995,323
Cresud	(iv)	31/09/2017	EURO	9.5%	400,000	400,000	-	-	-
MicroDreams	(v)	30/06/2015	WST	6%	75,000	75,000	-	-	-
National Provident Fund	(vi)	30/09/2018	WST	9.50%	2,496,652	1,067,096	2,000,000	3,429,556	3,429,556
WESTPAC (Vehicle Facility)	(vii)	31/08/2016	WST	9.25%	148,282	115,463	-	32,819	32,819
National Bank of Samoa	(viii)	31/08/2019	WST	14.00%	232,434	92,907	1,000,000	1,139,527	1,139,527
Total Term Loans									6,623,642
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	(ix)	on-going	WST	9.75%	46,000	44,664	Standby LOC	GBP 10,000	1,336
ANZ Bank (Samoa) Ltd	(x)	on-going	WST	10.50%	3,000,000	231,074	TermDeposit	3,000,000	2,768,926
Samoa Commercial Bank	(xi)	on-going	WST	10.50%	500,000	312,270	TermDeposit	USD\$40,000	187,730
Total Secured Overdraft									2,957,993
Total Borrowings									9,581,635

By currency

Currency	31-Dec-15	31 Dec-14
Samoa Tala	8,555,218	5,931,241
US Dollar	1,026,417	2,473,782
Total	9,581,635	8,405,023

**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 in previous years, thus increasing the total capital to \$303,972

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Equity Investment from SPBD Microfinance (Singapore)	<u>303,972</u>	<u>303,972</u>
Total	<u>303,972</u>	<u>303,972</u>

14. PREFERENCE SHARES

The Central Bank approved a conversion of foreign loan amount USD\$253,479 previously called as Subordinated Debt, to Dividend and Redeemable Preference Shares, to be effective 31 March 2014. The Redeemable Preference Shares amount ST\$532,765 were paid off in 2015.

14a RETAINED EARNINGS

In 2015, SPBD made 4 dividend payments amount ST\$30,420 (equivalent USD\$11,938) to Singapore Microfinance Holding (Singapore) Pte Ltd in compliance with the schedule approved by the Central Bank. This amount was charged to Retained Earnings, thus reducing the amount of Retained Earnings to ST\$1,660,474 at 31 December 2015. Retained Earnings as of 31 December 2014 was ST\$1,312,718.

15. LOAN LOSS PROVISIONING

a) Summary

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Loan loss provision	81,728	18,259
Loan Insurance loss provision	<u>18,730</u>	<u>36,548</u>
Total Non-Operating Expenses as per P & L	<u>100,458</u>	<u>54,807</u>
 b) Death Benefit Insurance Provision	 <u>19,000</u>	 <u>13,000</u>
c) SLI Loan Loss Provisioning	<u>20,000</u>	<u>22,000</u>

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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.

Provisioning Ratios for Group Loans	Loan loss provision	Loan Outstanding	Loan Loss Prov. Amt.
1 week to 4 weeks late (<30 days)	5%	318,077	15,903
5 weeks to 8 weeks late (30 to 60 days)	10%	27,968	2,797
9 weeks to 12 weeks late (60 to 90)	25%	9592	2,398
13 weeks to 16 weeks late (90 to 120)	50%	2,045	1,023
17 weeks to 20 weeks late 9120 to 140)	75%	3,490	2,617
21 weeks or more (150 + days	100%	14,953	14,953
TOTAL PROVISIONING AS OF 31 DECEMBER 2015			39,691

SPBD provides a 100% provision for loan losses for loans overdue for 21 weeks or more. The above calculation is the net result after 2015 writing off loans have been taken off. The total provisioning in 2015 is \$39,691, as per Loan Contingency Reserve at 31 December 2015.

c) Write-offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	15	18,731	0.22%
Loans Written Off – 2015	62	51,463	0.62%
Total	77	70,194	0.84%

There were 15 SPBD members passed away in 2015, and their loans were written off loan outstanding as per Loan Insurance policy.

The decision as to which loans to write off in 2015 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 2015 has been approved by the President.

SPBD MICROFINANCE (SAMOA), LTD.
NOTES TO THE FINANCIAL STATEMENTS
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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

	2015 WST (\$)	2014 WST (\$)
Loan Loss Reserve – January 1	16,770	19,561
Plus: Additional reserve	74,384	52,549
Loan Loss Expense for the Year (RE)	18,731	36,548
Loans written off	70,194	18,792
Loan Loss Reserve 31 December	39,691	16,770

ii) Movement in Insurance Loan Loss Reserve

	2015 WST (\$)	2014 WST (\$)
Loan Loss Reserve Jan 1, 15		
Loan Loss expense for the year	18,731	36,548
Loans written off	18,731	36,548
Insurance Loan Loss Reserve	Nil	Nil

iii) Movement in Insurance Death Benefits Reserve

	31/12/2015 WST (\$)	31/12/2014 WST (\$)
Loan Loss Reserve Jan 1	15,000	20,000
DBI Additional Reserve	19,000	13,000
Payment made	19,000	18,000
DBI Reserve 2015	15,000	15,000

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

	31/12/2015 WST (\$)	31/12/2014 WST (\$)
Loan Loss Reserve Jan 1	15,000	15,000
DBI Additional Reserve	20,000	22,000
Payment made	20,000	22,000
DBI Reserve 2015	15,000	15,000

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

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16. OPERATING EXPENSE

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Accident Compensation Board	5,373	4,884
Bank Charges	21,474	14,480
Guarantee Fees	50,000	58,664
Communications	144,279	139,428
Depreciation	118,130	140,051
Insurance	18,117	16,762
National Provident Fund	28,396	31,100
Office Expense	66,433	16,479
Other Expenses	114,334	84,748
Printing & Stationeries	30,319	64,013
Professional Services *	684,909	330,626
Public Relations	1,140	1,055
Rental Expenses	182,698	186,904
Repairs & Maintenance	38,574	30,417
Salaries and Wages	860,911	924,566
Taxes and Fees	7,745	4,925
Training	8,176	1,694
Transportation	121,062	144,453
Travel	103,534	70,057
Operating Expenditures Sub-Total	2,605,603	2,265,305

*ST\$618,300 was paid to SPBD Microfinance Holding (Singapore) Pte Ltd.

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17. NON OPERATING REVENUES

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Grants including donations for the Annual Award	6,400	8,250
Total Non Operating Revenues as per P & L	<u>6,400</u>	<u>8,250</u>

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. In October 2012, the Financial Literacy Program was launched for a pilot test in Samoa, and the full roll was done in 2013 for Upolu and Savaii in 2014. All costs related to this new initiative/program including consultants costs were all covered under the non –operating expenses.

	31-Dec-15	31-Dec-14
	WST (\$)	WST (\$)
Financial Literacy Training/Project		34,095
Total Non Operating Expenses as per P & L	<u>-</u>	<u>34,095</u>

19. INCOME TAX EXPENSE

	2015	2014
	\$	\$
Profit before tax	524,389	555,227
Add:		
First time provision LLP 2010		58,690
First time provision LLIP 2010		26,229
First time provision DBI 2010		10,000
First time provision SLI 2013		21,000
Movement LLP (2014-15)	23,037.74	
Movement LILP (2014-15)	(7,498.30)	
Movement DBIP (2014-15)	9,000.00	
Movement SLI (2014-15)	(1,000.00)	
Non taxable Donations received (2011-2015)	(6,400.00)	(20,571.00)
	17,139	95,348
Taxable profit	541,528	650,575
Income tax 27%	146,213	175,655
Under provision of prior year taxes 2011-2013)		965
	146,213	176,620

20. OPERATING LEASE COMMITMENTS

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

	2015	2014
	WST \$	WST \$
Less than one year	198,706	132,302
	<u>198,706</u>	<u>132,302</u>

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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 an adequate amount of committed credit facilities.

The Company has incurred 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 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 \$2.68 million tala at 31 December 2015.
- 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 2015 based on contractual undiscounted payments:

	Within 1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Borrowings	503,967	1,570,038	7,507,631		9,581,636
Creditors		101,994			101,994
Total financial liabilities	503,967	1,672,032	7,507,631		9,683,630

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.

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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.

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 2015, 22.00% 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.

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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 2014 and 2015, 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 2014 and 2015.

23a Development Fees

SPBD Samoa introduced a Development Fee of 3% of the loan amount in September 2014, and reduced its interest rate on group loans by the same percentage of 3% .

24. Events after statement of financial position date

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

25. Related Party Transactions

- SPBD Microfinance Holding (Singapore) Pte Ltd
Professional and management fees were paid to them. The total amount paid during 2015 was ST\$618,300. (This amount is reflected in note 16)
- Microdreams USA
Loan repayments were paid in full of \$75k to them during 2015. (This amount is reflected in note 12)
- Staff loans
Total balance as at 31 December 2015 for staff loans was \$194,178 (This amount is reflected in note 5)

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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 during 2015

Loan Type	# of Loans New	Principal Amount	Amount as % of Total Portfolio
Group loans (New)	2,171	2,893,000	21%
Group loans (Existing)	4,591	10,665,565	78%
Staff loans	77	138,680	1%
Total	6,839	13,697,245	100%
<i>Ave loan Size at disbursement</i>		<u>\$ 2,003</u>	

Loans Disbursed during 2014

Loan Type	# of Loans New	Principal Amount	Amount as % of Total Portfolio
Group loans (New)	1,870	1,870,000	16%
Group loans (Existing)	4,073	9,876,850	83%
Staff loans	84	123,672	1%
Total	6,027	11,870,522	100%
<i>Ave loan Size at disbursement</i>		<u>\$ 2,053</u>	

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

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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-15			31-Dec-14		
		Outstanding Principal Balance	PAR > 30 Amount WST\$	PAR > 30 Days (%)	Outstanding Principal Balance	PAR Amount WST\$	PAR > 30 Days (%)
Group Loans							
Current	6,103	7,687,057			6,610,890		
1-4 weeks late (<30 days)	262	318,077			233,574		
5-8 weeks late (30 to 60 days)	25	27,968	27,968	0.34%	15,851	15,851	0.23%
9-12 weeks late (60 to 90days)	15	9,592	9,592	0.12%	6,291	6,291	0.09%
13-16 weeks late (90 to 120 days)	5	2,045	2,045	0.02%			0.06%
17-20 weeks late (120 to 140 days)	5	3,490	3,490	0.18%	2,578	2,578	0.01%
over 21 weeks late (over 150 days)	44	14,953	14,953				0.31%
Sub-total	6,459	8,063,182	58,048	0.72%	6,869,184	24,720	0.35%
Staff Loans							
Current	184	194,178			140,086		
over 4 weeks in arrears							0%
Grand Total	6,643	8,257,360	58,048	0.70%	7,009,270	24,720	0.35%

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 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.

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Loan Accounts Outstanding

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

	31/12/2015	31/12/2014
Number of outstanding loan accounts	6,643	5,933

Savings Accounts

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

	31/12/2015	31/12/2014
Number of savings accounts	21,097	19,072

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.