



SPBD MICROFINANCE (SAMOA) LTD.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**SPBD MICROFINANCE (SAMOA) LTD.
STATEMENT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020.

PRINCIPAL ACTIVITY

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

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

RESULTS

The results of operation for the year ended 31 December 2020 are set out in the income statement. SPBD made a pre-tax profit of WST \$2,128,712 for the year.

THE BOARD OF DIRECTORS

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

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

DIVIDEND

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

OTHER DISCLOSURES

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

SIGNIFICANT EVENTS DURING THE YEAR

COVID 19 PANDEMIC CRISIS

The state of emergency order ‘SOE’ for the corona virus pandemic ‘COVID 19’ commenced on March 27, 2020 with the intention to prevent Samoa from this deadly virus. The SPBD senior management had an urgent meeting to deliberate on the impact of the pandemic on SPBD clients and work out possible solutions to address the potential problems.

SPBD Samoa modified its normal center meeting to an abbreviated center meeting, wherein only the Center Chief, the Center Secretary and the Center Manager would join the meeting in compliance with the state of emergency order restrictions on gathering limited to only 5 people, effective immediately in response to COVID 19 global crisis.

**SPBD MICROFINANCE (SAMOA) LTD.
STATEMENT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020**

SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

The normal market hours were also reduced and Sunday was completely closed for business, with no transportation services in the first 6 weeks of the lockdown. The international borders were completely closed for visitors resulting in the tourism and transportation related businesses badly affected. These restrictions greatly impacted SPBD clients who operate small shops, restaurants, beach accommodation, hotels, transport business, handicrafts, flea markets, and canteen as well as street vendors. During this period, clients earned lower daily income that they used to earn before the SOE was enforced.

SPBD offered a rescheduling of the loans to all the clients whose businesses got badly impacted due to the strict restrictions and lockdowns. This allowed the clients to bring down their weekly loan repayment and repay their loan outstanding over an extended 52 weeks period. SPBD also offered revitalization loans to members who required financial assistance to rebuild their businesses. The provision of loan rescheduling and revitalisation loans were available for a limited period from July 2020 to 31 December 2020.

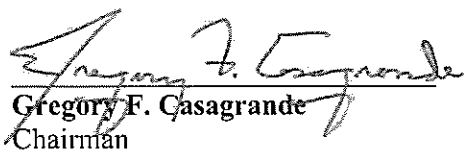
RESPONSIBILITIES OF THE BOD IN RESPECT OF THE FINANCIAL STATEMENTS

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 2020, and of the results of its operations for the period then ended. In preparing these financial statements, the BOD is required to:

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

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

On behalf of the Board of Directors,


Gregory F. Casagrande
Chairman

Date: 15 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Directors of SPBD Microfinance (Samoa) Ltd

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at 31 December 2020;
- the statement of financial performance, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO

BDO

Chartered Accountants

Ernest Betham

Ernest Betham

Partner

Apia

SAMOA

Date *15 March 2021*

SPBD MICROFINANCE (SAMOA) LTD.
BALANCE SHEET
AS AT 31 DECEMBER 2020

	Notes	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
ASSETS			
Cash on Hand and at Bank	4	2,225,371	2,449,523
Loans Receivables	5	22,624,346	17,562,457
Other Receivables	6	36,717	311,046
Goodwill	7	979,183	979,183
Property and Equipment	8	392,852	588,833
TOTAL ASSETS		26,258,469	21,891,043
LIABILITIES			
Other Creditors and Accruals	9	772,411	428,148
Reserve for Member Death Benefit	10	30,000	30,000
Reserve for Spousal Death Benefit	10	30,000	30,000
Member Savings Deposits	11	602,843	904,971
Borrowings	12	18,362,929	15,401,223
Leases	13	192,852	403,916
TOTAL LIABILITIES		19,991,035	17,198,258
EQUITY & RESERVES			
Paid-in-Capital	14a	303,972	303,972
Retained Earnings	14b	5,963,462	4,388,813
TOTAL EQUITY & RESERVES		6,267,434	4,692,785
TOTAL LIABILITIES, EQUITY AND RESERVES		26,258,469	21,891,043

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

SPBD MICROFINANCE (SAMOA) LTD.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
Financial Income			
Interest Income from MF Loans		5,395,371	4,742,505
Loan Security Fee LSF		660,672	604,033
Death Benefit Fee DBF		80,107	96,285
Spouse Death Benefit Fee SDBF		20,490	25,632
Savings Fees		17,948	20,409
Interest on Bank accounts and Term Deposits		49,417	48,746
Loan Recoveries	21	19,353	71,936
Development Fees	23	790,859	680,028
Commissions		41,854	195,769
Miscellaneous Income		20,298	28,046
Financial Income Sub-Total		7,096,369	6,513,388
Financial Expenditures			
Interest Expense		978,560	937,072
Interest on overdraft Facilities/Savings		637,973	396,991
Interest on Lease		15,761	21,156
Foreign Exchange Loss		(4,546)	(7,330)
Financial Expenditures Sub-Total		1,627,748	1,347,891
Net Financial income		5,468,622	5,165,497
Loan Loss Provision	15a	217,284	264,908
Member Death Provision	15b	19,000	36,000
Spousal Death Provision	15c	11,000	23,000
Net Financial margin		5,221,338	4,841,589
Operating Expense	16	3,092,626	3,436,397
Net Operating Income		2,128,712	1,405,192
Non operating Revenue	17	-	21,390
Net Profit before income tax		2,128,712	1,426,582
Less: Income Tax Expense	19	554,063	386,589
Net Profit after Income Tax Expense		1,574,649	1,039,992

**SPBD MICROFINANCE (SAMOA) LTD.
STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2020**

Notes	Issued and Paid Up Capital \$	Non-dilutive equity \$	Retained Earnings/Losses \$	Total \$
Balance at 1 January 2020	88,094	215,878	4,388,813	4,692,785
Net Profit			1,574,649	1,574,649
Balance at 31 December 2020	88,094	215,878	5,963,462	6,267,434

SPBD MICROFINANCE (SAMOA) LTD.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
CASHFLOW FROM OPERATING ACTIVITIES		
Interest Received	5,395,371	4,742,505
Fees Received	1,570,076	1,670,902
Interest Paid on Loans	(1,632,294)	(1,355,220)
Cash paid to suppliers & employees	(3,033,582)	(3,926,302)
Other receipts	130,922	121,371
Net cash provided by operating activities	<u>2,430,493</u>	<u>1,253,256</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Loans Disbursement	(27,481,060)	(24,183,464)
Loans Repayment	22,201,887	20,840,901
Payments for Property & equipment	(1,800)	(57,585)
Net cash provided by investing activities	<u>(5,280,973)</u>	<u>(3,400,148)</u>
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	6,800,000	6,495,029
Repayments of Long Term Borrowings	(3,871,544)	(4,227,699)
Member Savings	(302,128)	64,314
Net cash provided by investing activities	<u>2,626,328</u>	<u>2,331,643</u>
NET INCREASE/(DECREASE) IN CASH AND IN BANKS	<u>(224,150)</u>	<u>184,751</u>
OPENING CASH BALANCE/DATE OF TRANSFER	<u>2,449,523</u>	<u>2,264,773</u>
CLOSING BALANCE	<u>2,225,371</u>	<u>2,449,523</u>

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

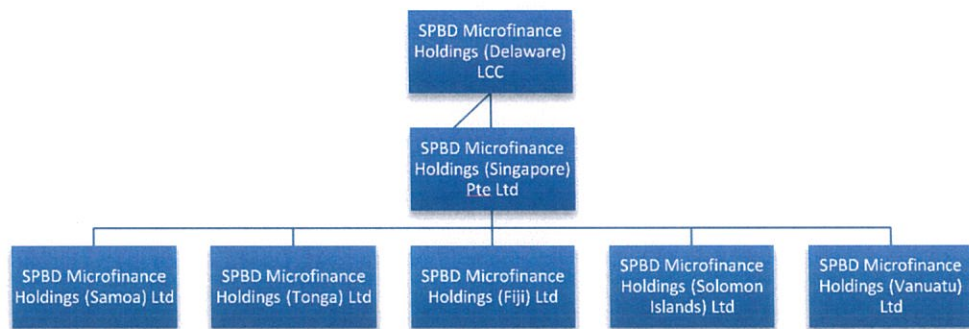
**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. GENERAL INFORMATION

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

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

SPBD Microfinance network



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

To comply with money laundering prudential standards, SPBD has:

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

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

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

As at 31 December 2020, SPBD has 26 staff of whom 7 are assigned in Savaii office and 19 in the Head Office in Apia.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of Preparation

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

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

b. Changes in Accounting Policies

i. New standards, interpretations and amendments adopted from 1 January 2020

New standards impacting the Company that have been adopted in the annual financial statements for the year ended 31 December 2020 are:

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) The reduction in lease payments affects only payments originally due on or before 30 June 2020; and
- c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Company has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Company, occurred from March 2020 to June 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Company re-measuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

**SPBD MICROFINANCE (SAMOA) LTD.
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies (cont'd)

Other standards

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Company are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

ii. New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The company is currently assessing the impact of these new standards and amendments. The Company does not believe that the amendments of IAS 1 will have a significant impact on the classification of its liabilities.

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

c. Functional and presentation currency

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

SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d. Foreign currency transactions

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

	31-Dec-20	31-Dec-19
NZD/WST	0.5320	0.5489
USD/WST	0.3871	0.3722
EUR/WST	0.3079	0.3256

e. Revenue recognition

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

Interest income

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

Fees and charges

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

Loan security fee income

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

Savings accounts withdrawal fees

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

Member Death Benefit Fee

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

Development Fees income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f. Grants

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

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

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

g. Loans

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

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

h. Impairment of loans

The Company conducts loan loss provisioning every quarter to maintain an adequate reserve for doubtful loans. The reserve is determined by applying predicted loss percentages to aged loans grouped according to the age of the outstanding payment. The age of outstanding payment is analysed

in three weekly bands from one week to greater than twenty one weeks. 100% provision is automatically assessed for loans whose repayments are more than 21 weeks overdue.

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

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

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

SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i. Property and equipment

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

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

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

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

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

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

j. Leases

The Company as a lessee

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

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

Measurement and recognition of leases as a lessee

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

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

j. Leases (Cont'd)

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

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

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

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

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

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

The Company as a lessor

The company does not lease any property as a lessor.

k. Cash and cash equivalents

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

l. Value added goods and services tax (VAGST)

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

m. Income tax

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

n. Accounts payable

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

o. Employee benefits

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

Liabilities for annual leave is accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned. Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus if SPBD has a present obligation or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

p. Comparatives

This is the tenth year of operation for the Company and the 2019 comparative figures have been disclosed for comparison.

3. CRITICAL ACCOUNTING ESTIMATES/JUDGEMENTS

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

(a) Impairment losses on loans

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

(b) Extension options for leases

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Cash on hand and at bank

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Cash on Hand		
Petty Cash	2,707	2,707
Savaï Imprest	3,000	3,000
Upolu Imprest	10,000	10,000
Sub-Total	<u>15,707</u>	<u>15,707</u>
Bank Balances - Unrestricted		
Euros	-	21,846
United States Dollars	16,302	121,185
Samoaan Tala	155,581	161,439
Sub-Total	<u>171,883</u>	<u>304,470</u>
Bank Balances - Restricted to Members Savings		
Samoaan Tala Term Deposits	544,220	728,385
Samoaan Tala Current Account	58,623	28,560
Total Non-Current Assets	<u>602,843</u>	<u>756,945</u>
Bank Balances - Restricted for security for overdraft facilities		
USD Term Deposit - (OD Facility - ANZ)	130,165	128,232
Samoaan Tala Term Deposit (ANZ OD Facility)	1,108,174	1,051,639
USD Term Deposit - (OD Facility - SCB)	132,124	130,173
SPBD Samoaan Tala - BSP	64,475	62,357
Sub-Total	<u>1,434,938</u>	<u>1,372,401</u>
TOTAL CASH ON HAND AND AT BANK	<u>2,225,371</u>	<u>2,449,523</u>

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. LOANS RECEIVABLES

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Total Disbursements (Accumulative Since Inception)	197,522,087	170,041,027
Less: Repayments (Accumulative Since Inception)	(172,867,510)	(150,665,623)
Written Off Loans	(1,734,122)	(1,590,707)
Gross Loan Receivable	22,920,455	17,784,697
Less: Loan Contingency Reserve	(296,108)	(222,240)
Total Loans Receivables	22,624,346	17,562,457

Types of loans

- i) 52-weeks Loan are loans granted in Samoan Tala to clients who belong to SPBD Centres. This type of loan is provided to clients at an interest rate of 24.00% for a loan cycle of 52 weeks. Principal and interest payment are made on a weekly basis. Loan amount ranges from a minimum of WST1,250 to WST8,000.
- ii) 17-weeks Loan are loans granted in Samoan Tala to clients who belong to SPBD Centres. This type of loan is provided to clients at an interest rate of 9.00% for a loan cycle of 17 weeks. Principal and interest payments are made on a weekly basis. Loan amount ranges from a minimum of WST300 to WST500.
- iii) SME Loan was launched in August 2013, and the main focus is SPBD good clients who have maintained a very good business. Loan amount ranges from \$8,000 to \$32,000 at 21% interest. In 2017, SPBD has launched a phase 3 of its SME loan product where SPBD has extended its service to the public entrepreneurs, who operate and maintain a good business, but need further improvement on the business.
- iv) OWL is Overseas Workers Loan Program, and this product was also launched in 2013, to assist men and women from Samoa who are selected to take up seasonal work in New Zealand and Australia. SPBD provides 4 months unsecured credit which ranges from \$1,500 to \$3,500 at 12% interest to seasonal workers to pay for visa fees, airfares, and all other related travel costs.
- v) The Education Loan Product was launched in September 2014, to assist SPBD clients in financing their children school fees or tuition fees. SPBD cares about the children's education, thus the reason of introducing this new loan product. Loan ranges from \$300 to \$750 at 10% for 6 months education loan, and 12 months education loan ranges from \$800 to \$1,000 at 20% interest.
- vi) The White Goods financing product was launched on 31 March 2019, to assist SPBD very good existing clients to purchase high quality but affordable white goods and other major appliances, which SPBD clients will need to increase productivity in their respective households and businesses. SPBD is partnered with SSAB in providing the high-quality white goods and other appliances to SPBD clients, and then SPBD issues a one lump sum payment directly to SSAB once received an invoice from SSAB. Loan ranges from \$1,250 to \$2,500 at 21% interest for a period of 1 year or 52 weeks.
- vii) The Restructured loan product was a short term solution in response to COVID 19 impact. This new product gives SPBD existing eligible members another 52 weeks to repay back their loans with new terms and conditions. The final date of this short term new product is 31 December 2020.

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. LOANS RECEIVABLES (CONT'D))

- viii) The Revitalisation loan product offers to SPBD existing members who really need financial help to assist in rebuilding their businesses affected by the COVID 19 crisis. This loan product allows SPBD affected members to improve their affected business. Loan ranges from \$1,250 to \$3,000 at 24% for 52 weeks or 12 months.

SPBD Staff Loans

<u>Borrower</u>	<u>Balance (WST)</u>	<u>Term</u>	<u>Status</u>
Staff	\$453,490.96	3 to 24 months	Current

The above balance of \$453,490.96 for Staff loan transactions is included in the Gross loan receivable of WST \$22,920,455 as at 31 December 2020.

6. OTHER RECEIVABLES

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Prepaid Insurance	13,101	16,951
Others (Deposit/Travel Advance/Bond & Others)	15,229	30,634
Employee Receivable	8,387	11,182
Money Transfer Operator	-	252,279
	36,717	311,046

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	Right use of Asset	Total
<i>GROSS CARRYING AMOUNTS</i>							
Opening Balance 01 Jan 2020	57,603	103,575	47,540	174,778	1,117,152	234,758	1,735,406
Additions - 2020	-	-	-	1,800			1,800
Adjustment		3,718	(3,718)				-
Disposal 2020	(40,428)	(60,115)	(27,823)	(109,321)	(129,785)		(367,472)
Balance as at 31 Dec 2020	17,175	47,178	15,999	67,257	987,367	234,758	1,369,734
<i>Accumulated Depreciation</i>							
Opening Balance 01 Jan 2020	41,859	90,266	38,021	122,989	793,499	59,938	1,146,572
Depreciation for the year - 2020	5,725	7,528	3,400	9,729	111,462	59,938	197,782
Disposal 2020	(40,428)	(60,115)	(27,823)	(109,321)	(129,785)		(367,472)
Balance as at 31 Dec 2020	7,156	37,679	13,598	23,397	775,176	119,876	976,882
Net Book Value 2020	10,019	9,499	2,401	43,860	212,191	114,882	392,852

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. PLANT AND EQUIPMENT (CONT'D)

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

IFRS16 was effective 01 January 2019, to recognise the lease liability and the right of use of assets in the books of lessee, thus the amount of additions is higher in 2019, and then reduced in 2020.

Disposal of fixed assets comprises of very old equipment, computers, furniture and fittings as well as vehicles that are no longer in use for a very long time. The last disposal of assets was done in 2013, and we are required to further dispose these old assets that were all fully depreciated, and to be taken out from the fixed asset register.

9. OTHER CREDITORS AND ACCRUALS

	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
Accrued Expenses & Other Payables	604,937	281,345
Income Tax Payable	167,474	146,803
Total	772,411	428,148

The Income Tax Payable detail is as follow.

	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
Net Profit before Tax	2,128,712	1,426,582
Add: First Time Provisioning	(76,625)	5,231
Total Net Profit before Tax	2,052,087	1,431,813
Income Tax @27%	554,063	386,589
Income Tax Payable Expense		
Beginning Balance 01/01/2020	146,803	(4,807)
Expenses for the year	554,063	386,589
Total	700,866	381,782
Payment made during the year	533,393	234,979
Balance Income Tax Payable	167,474	146,803

Refer to note (19) for details of 2020 tax expenses.

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. RESERVES

a) Reserve for Member Death Benefit

The reserve is calculated based on 2020 number of members passed away, to ensure that SPBD has enough provision to cover for 2020-member death benefit.

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
DB Reserve	30,000	30,000
SDB Reserve	<u>30,000</u>	<u>30,000</u>
Total Reserve	60,000	60,000

b) Reserve for Spousal Death Benefit

This reserve is calculated based on 2020 number of spouses passed away, to ensure we provision enough to cover for 2020 Spousal death benefit.

11. MEMBERS SAVINGS DEPOSIT

SPBD initially developed the micro-savings program in partnership with UNDP and WESTPAC Bank. SPBD formally launched the micro-savings program on October 7th, 2004 following a 3 months pilot-test period and required consultations with the Central Bank of Samoa. Any SPBD new member can open up a savings account with a minimum of \$10 deposit. SPBD also started its savings policy in 2007 whereby 5% loan retention (compulsory savings) goes into a member's Savings account. SPBD is not a regulated financial intermediary and does not use their client deposit for on-lending. Members can withdraw money with prior notice or anytime for emergencies. SPBD provides quarterly financial report, as well as an audited financial report to Central Bank of Samoa. The 5% retention can only be withdrawn by a member after the latest loan is paid off. SPBD deposits collected savings daily in a segregated bank account at Bank South Pacific (Samoa) Limited and ANZ Bank (Samoa) Limited.

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Bank South Pacific (Samoa) Limited	602,843	769,945
ANZ Bank (Samoa) Limited		<u>135,026</u>
Total	<u>602,843</u>	<u>904,971</u>

12. BORROWINGS

	31-Dec-20	31-Dec-19
	WST \$	WST \$
Bank Overdraft	7,330,430	3,919,656
Bank Borrowings	849,319	1,196,890
Non-Bank Borrowings:		
- Secured	8,139,305	8,479,417
- Unsecured	<u>2,043,875</u>	<u>1,805,260</u>
Total Borrowings	<u>18,362,929</u>	<u>15,401,223</u>

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. BORROWINGS (CONT'D)

The currency profile of the borrowings is as follows:

	31-Dec-20 WST \$	31-Dec-19 WST \$
Samoan Tala - WST	16,319,054	13,595,963
US Dollar - USD	<u>2,043,875</u>	<u>1,805,260</u>
Total Borrowings	<u>18,362,929</u>	<u>15,401,223</u>

The bank loans and overdrafts are secured by the following:

- Assignment over Book/Debts loan portfolio in the name of SPBD Microfinance (Samoa) Ltd limited to the amount of \$8,000,000 plus interest and costs.
- The overdraft is secured by Standby Letter of Credit (LOC) amounting to GBP\$10,000 and USD term deposit amounting to USD \$40,000.
- Standard Authority to Appropriate and Set-Off Term Deposits given by SPBD Microfinance (Samoa) Ltd amounting to WST \$1,206,021.55 in total.
- Corporate Guarantee and Indemnity limited to \$3,000,000 amount plus interest, costs and other amounts given by SPBD Microfinance Holdings (Singapore) Pte Ltd in favour of ANZ.

The non-bank borrowing is secured by loans portfolio assignment at 150% of the value of the loan amount.

13. LEASES

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

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

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

Right-of-use asset

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

Buildings	31-Dec-20 WST \$	31-Dec-19 WST \$
At 1 January	234,758	234,758
Amortisation	<u>(119,876)</u>	<u>(59,938)</u>
At 31 December	<u>114,882</u>	<u>174,820</u>

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. LEASES (CONT'D)

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

	31-Dec-20 WST \$	31-Dec-19 WST \$
Current	129,437	211,064
Non-current	<u>63,415</u>	<u>198,852</u>
Total Lease Liability	<u>192,852</u>	<u>403,916</u>

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

	31-Dec-20 WST \$	31-Dec-19 WST \$
At 1 January	403,916	607,781
Interest Expense	31,332	54,083
Lease Payments	<u>(242,396)</u>	<u>(257,948)</u>
At 31 December	<u>192,852</u>	<u>403,916</u>

14a PAID IN CAPITAL

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

	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
Paid up Capital	<u>303,972</u>	<u>303,972</u>
Total	<u>303,972</u>	<u>303,972</u>

Authorized capital is represented by 1000 ordinary shares, fully paid.

14b RETAINED EARNINGS

Retained Earnings has increased from WST\$4,388,813 to WST\$5,963,462 at 31 December 2020 which is estimated at 36% increase.

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. LOAN LOSS PROVISIONING

a) Loan Loss Provision

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Loan Loss Provision	171,927	193,264
Loan Security Loss Provision	45,356	71,644
Total Loan Loss/Security Provision	217,284	264,908

b) Member Death Provision 19,000 36,000

c) Spousal Death Provision 11,000 23,000

Loan Loss Provisioning

SPBD conducts loan loss provisioning every quarter to maintain an adequate reserve for doubtful loans. The reserve is determined by applying predicted loss percentages to aged loans grouped by lateness of payment. A loan becomes late as a weekly scheduled payment is missed. SPBD applies the following conservative predicted loss ratios.

Provisioning Ratios for Group Loans	Loan loss provision	Loan Outstanding	Loan Loss Prov. Amt.
1 week to 4 weeks late (<30 days)	5%	2,032,645	101,631
5 weeks to 8 weeks late (30 to 60 days)	10%	67,128	6,713
9 weeks to 12 weeks late (60 to 90)	25%	76,610	19,152
13 weeks to 16 weeks late (90 to 120)	50%	70,796	35,398
17 weeks to 20 weeks late (120 to 140)	75%	41,195	30,897
21 weeks or more (150 + days)	100%	102,317	102,317
TOTAL PROVISIONING AS OF 31 DECEMBER 2020			296,108

SPBD provides a 100% provision for loan losses for loans overdue for 21 weeks or more. The above calculation is the net result after 2020 writing off loans have been taken off. The total provisioning in 2020 is \$296,108 as per Loan Contingency Reserve at 31 December 2020.

d) Write-offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	19	45,356	0.20%
Loans Written Off – 2020	88	98,059	0.43%
Total	107	143,415	0.63%

There were 19 SPBD members died in 2020, and their loans outstanding balances were written off to coincide with the Loan Insurance loss policy.

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. LOAN LOSS PROVISIONING (CONT'D)

d) Write-offs (Cont'd)

The decision as to which loans to write off in 2020 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 2020 has been approved by the President.

e) Movements

i) Movement in Loan Loss Reserve

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

	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
Loan Loss Reserve – January 1	222,240	151,840
Plus: Additional reserve	171,927	193,264
Loan Loss Expense for the Year (RE)	45,356	71,644
Loans written off	143,415	194,508
Loan Loss Reserve 31 December	296,108	222,240

ii) Movement in Loan Security Reserve

	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
Loan Loss Reserve Jan 1, 20		
Loan Loss expense for the year	45,356	71,644
Loans written off	45,356	71,644
Insurance Loan Loss Reserve	Nil	Nil

iii) Movement in Death Benefit Reserve

	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
Loan Loss Reserve Jan 1	30,000	20,000
DBI Additional Reserve	19,000	36,000
Payment made	19,000	26,000
DBI Reserve 2020	30,000	30,000

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

iv) Movement in Spousal Death Benefit Reserve

	31-Dec-20 WST (\$)	31-Dec-19 WST (\$)
Loan Loss Reserve Jan 1	30,000	20,000
DBI Additional Reserve	11,000	23,000
Payment made	11,000	13,000
DBI Reserve 2020	30,000	30,000

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

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
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16. OPERATING EXPENSES

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Accident Compensation Board	14,410	8,754
Bank Charges	11,550	10,149
Guarantee Fees	50,000	50,000
Communications	146,091	159,011
Depreciation	197,781	198,948
Insurance	14,522	31,380
National Provident Fund	56,962	49,302
Office Expense (including Printing)	108,550	147,283
Other Expenses	15,766	16,238
Professional Services	1,209,889	1,131,002
Public Relations	400	57,866
Rental Expenses	117,425	128,683
Repairs & Maintenance	58,050	54,744
Salaries and Wages	773,680	800,751
Taxes and Fees	202,239	355,315
Training	9,372	44,610
Transportation	103,937	117,261
Travel	2,001	75,099
Operating Expenditures Sub-Total	<u>3,092,626</u>	<u>3,436,397</u>

17. NON-OPERATING REVENUE

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Grants including donations for the Annual Award	0	21,390
Total Non Operating Revenues as per P & L	<u>0</u>	<u>21,390</u>

18. NON-OPERATING EXPENSES

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

19. INCOME TAX EXPENSE

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Net Profit before Tax	2,128,712	1,426,582
Add: First Time Provisioning	(76,625)	5,231
Total Net Profit before Tax	2,052,087	1,431,813
Income Tax @27%	554,063	386,589

**SPBD MICROFINANCE (SAMOA) LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020**

20. FINANCIAL RISK MANAGEMENT

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

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

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

a) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through 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 on-going basis. Based on these evaluations the Company devises strategies to manage liquidity risk including maintaining a sufficient undrawn borrowing facilities to fund liquidity needs.

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

- i) Maintaining a liquidity reserve in the form of cash and credit lines to ensure the solvency and financial flexibility at all times. For this purpose, the Company has net cash balances of \$2.2 million tala at 31 December 2020.
- 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 2020 based on contractual undiscounted payments:

	1 to 12 Months	1 to 5 Years	Over 5 Years	Total
Borrowings	2,649,529	15,779,950	-	18,429,479
Creditors	772,411	-	-	772,411
Lease Liability	62,887	63,415	-	126,302
Total financial liabilities	3,484,827	15,843,365	-	19,328,192

20. FINANCIAL RISK MANAGEMENT (CONT'D)

b) Market risk

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

i) Currency risk

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

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

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

ii) Foreign currency sensitivity

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

At 31 December 2020, if the Tala has strengthened/weakened by 10% against the US dollar with all other variables held constant, profit before taxation for the year would have been \$46,044 lower (2019: \$41,687), mainly as a result of foreign exchange losses on translation of non-Tala denominated borrowings. There would be no impact on other components of equity as the Company has no non-Tala denominated non-monetary assets classified as available for sale.

iii) Interest rate risk

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

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

The company's interest rate risk policy requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. At 31 December 2020, none of the interests bearing liabilities were denominated in US dollars.

c) Credit risk

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

SPBD Centre Managers and the Team Leader have the proper introduction to the village chief before a

**SPBD MICROFINANCE (SAMOA) LTD.
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20. FINANCIAL RISK MANAGEMENT (CONT'D)

c) Credit risk (cont'd)

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

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

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

21. LOAN RECOVERIES

Loan Recoveries is the total amount of payments collected from loans that have already been written off in SPBD books of account. In 2020, SPBD was able to collect some payments from default loans and take into our Profit & Loss account.

22. RESIGNATION FEES

No resignation fees recognised in 2020.

23 DEVELOPMENT FEES

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

24. MONEY TRANSFER OPERATOR (MTO)

SPBD Samoa has obtained an approval from the Central Bank in 2017, to start an MTO business as per License MTO018. SPBD Samoa has also sealed a partnership with the XM Services (Australia Pty Ltd) for remittance services. As per signed agreement, XM Services provides Pre-Fund to SPBD Samoa for MTO pay outs, and on-line system was set up by XM Services for remittances. SPBD Samoa has collected \$30,250.07 commission in 2020 for the services that we have provided. XM Services (Australia Pty Limited) has remitted ST\$1,110,861.90 and SPBD Samoa has paid out ST\$1,110,861.90 in 2020. The remittance service was suddenly suspended until further notice from XM Services (Australia Pty Limited) due their operational challenges.

**SPBD MICROFINANCE (SAMOA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
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25. RELATED PARTY TRANSACTIONS

Transformer Ventures (TVLLC) provides executive management services to SPBD Microfinance (Samoa) Ltd. The quarterly fees was increased from WST\$95,000 in 2019 to WST\$100,000 in 2020, a total of WST\$400,000 for 4 quarters in 2020.

SPBD Microfinance Holdings (Singapore) Pte Ltd provides the general administrative services to SPBD Microfinance (Samoa) Ltd, the amount chargeable per quarter was increased from USD\$63,000 in 2019 to USD\$69,000 in 2020, a total of USD\$276,000 (equivalent to WST\$759,973) for 4 quarters in 2020.

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Transformative Ventures (TVLLC)	400,000	380,000
SPBD Microfinance (Holdings) Pte Ltd	759,973	675,463
Total	<u>1,159,973</u>	<u>1,055,463</u>

26. SIGNIFICANT EVENTS DURING THE YEAR

COVID 19 PANDEMIC CRISIS

Due to these deadly COVID 19 pandemic and the government strict restrictions, SPBD clients were given an opportunity to choose an option whether to reschedule their loans for another 52 weeks so that their weekly loan repayment will be lower than the original loan repayment, or opted to take a Revitalization loan to assist in rebuilding their businesses. The provision of Loan Reschedule and Revitalisation loan are short term new product only available from July 2020 to 31 December 2020 to SPBD clients if they wish to take one of these options in response to COVID 19 impact due to continued lockdown.

The government of Samoa has also kindly provided a stimulus package of \$60,000 to SPBD Samoa in response to COVID 19 crisis to assist in paying more than 8,000 clients interest only, and this was effected in August 2020.

27. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

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

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on the date the financial statements were signed.

SPBD MICROFINANCE (SAMOA) LTD.
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

SPBD offers the group loan products: (1) 52-week loan product, (2) 17 weeks loan product, (3) SME loan product, (4) OWL (5) Education loan product and (6) White Goods Financing. Minimum first loan sizes are ST\$1,250 and ST\$500 respectively. All loans are amortized in weekly instalments. These loan types are unsecured except for SME loan product. The first loan (regardless of loan product) should be used exclusively to expand or establish a microenterprise to be managed by the client herself. Subsequent loans can be used for any or a combination of the following purposes: business, home improvement and education of children. Loans are disbursed at the SPBD office while loan repayments are collected at the village based weekly meetings by SPBD staff. A loan must be paid off before another loan is issued to the same client.

Loan Disbursed During 2020

Loan Type	# of Loans	Amount of Loans	Amount as % of Total Portfolio
Micro Loans	5,564	15,185,960	55.3%
SME Loans	325	5,009,800	18.2%
OWL Loans	216	544,500	2.0%
Higher Education Loan	70	66,220	0.2%
White Goods Financing	184	329,910	1.2%
Employee Loans	105	324,950	1.2%
Restructured Loans	123	623,320	2.3%
Revival Loans	2,310	5,396,400	19.6%
Total	8,897	27,481,060	100.0%

Ave. loan size at Disbursement

3,089

Loan Disbursed During 2019

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

Ave. loan size at Disbursement

3,222

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.

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SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

PORTFOLIO QUALITY

SPBD loans are staff's number one priority to keep the loan portfolio healthy. They strictly apply the credit rules and policies outlined in SPBD Credit Manual. As SPBD only offers unsecured loans, we rely on good clients and projects selection as a primary tool to ensure portfolio quality is good. When a client does not have a payment, we apply the group guarantee policy and ask her group members to make a payment for that client. The principle of group guarantee is clearly communicated and explained in program training, knowledge test, loan application and loan interview, and is regularly reinforced through weekly meetings and periodic trainings.

Loan Types	# of Accounts	31-Dec-20			31-Dec-19		
		Outstanding Principal Balance	PAR > 30 Amount WST\$	PAR > 30 Days (%)	Outstanding Principal Balance	PAR Amount WST\$	PAR > 30 Days (%)
Group Loans							
Current	8251	21,145,479			16,687,088		
1-4 weeks late (<30 days)	522	976,360			607,994		
5-8 weeks late (30 to 60 days)	76	49,985	49,985	0.22%	47,450	47,450	0.27%
9-12 weeks late (60 to 90days)	53	66,367	66,367	0.29%	14,335	14,335	0.08%
13-16 weeks late (90 to 120 days)	41	65,038	65,038	0.28%	20,154	20,154	0.11%
17-20 weeks late (120 to 140 days)	22	83,156	83,156	0.36%	26,701	26,701	0.15%
over 21 weeks late (over 150 days)	224	80,579	80,579	0.35%	83,601	83,601	0.47%
Sub-total	9,189	22,466,964	345,125	1.50%	17,487,323	192,241	1.08%
Staff Loans							
Current	194	453,491			297,374		
over 4 weeks in arrears							
Grand Total	9,383	22,920,455	345,125	1.50%	17,784,697	192,241	1.08%

**SPBD MICROFINANCE (SAMOA) LTD.
 SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020**

PORTFOLIO QUALITY (CONT'D)

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.

Loan Accounts Outstanding

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

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Number of outstanding loan accounts	9,383	8,242

Savings Accounts

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

	31-Dec-20	31-Dec-19
	WST (\$)	WST (\$)
Number of savings accounts	20,550	20,330

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.