SPBD MICROFINANCE (SAMOA) LTD.

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

The Board of Directors ("BOD") submits its report and the audited financial statements of SPBD Microfinance (Samoa) Ltd. ("SPBD") for the year ended 31 December 2021.

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 its 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 2021 are set out in the statement of financial performance. SPBD made a net profit before tax of WST $2,083,747 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

Apart from the ongoing effects of COVID 19 there were no other significant events noted during the year.

EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

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

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 2021, and of the results of its operations for the period then ended. In preparing these financial statements, the BOD is required to:

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

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

On behalf of the Board of Directors,

Gregory F. Casagrande

Gregory F. Casagrande
Chairman

Date: 29 March 2022

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Chartered Accountants
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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 2021;
- 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 2021, 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

Hanalei Betham
Partner

SAMOA
29 March 2022

SPBD MICROFINANCE (SAMOA) LTD.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021

ASSETS	Notes	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Cash on Hand and at Bank	4	2,137,235	2,225,371
Loans Receivables	5	26,291,215	22,624,346
Other Receivables	6	53,228	36,717
Goodwill	7	979,183	979,183
Property and Equipment	8	640,246	392,852
TOTAL ASSETS		**30,101,107**	**26,258,469**
LIABILITIES			
Other Creditors and Accruals	9	898,885	772,411
Reserve for Member Death Benefit	10	30,000	30,000
Reserve for Spousal Death Benefit	10	30,000	30,000
Member Savings Deposits	11	615,136	602,843
Borrowings	12	20,230,897	18,362,929
Leases	13	509,808	192,852
TOTAL LIABILITIES		**22,314,726**	**19,991,035**
EQUITY & RESERVES			
Paid-in-Capital	14a	303,972	303,972
Retained Earnings	14b	7,482,409	5,963,462
TOTAL EQUITY & RESERVES		**7,786,381**	**6,267,434**
TOTAL LIABILITIES, EQUITY AND RESERVES		**30,101,107**	**26,258,469**

SPBD MICROFINANCE (SAMOA) LTD.
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Financial Income			
Interest Income From MF Loans		5,646,855	5,395,371
Loan Security Fee LSF		628,747	660,672
Death Benefit Fee DBF		80,256	80,107
Spouse Death Benefit Fee SDBF		14,865	20,490
Savings Fees		14,342	17,948
Interest on Bank accounts and Term Deposits		40,431	49,417
Loan Recoveries	21	14,548	19,353
Development Fees	23	759,885	790,859
Commissions		8,679	41,854
Miscellaneous Income		52,921	20,298
Financial Income Sub-Total		**7,261,530**	**7,096,369**
Financial Expenditures			
Interest Expense		800,149	978,560
Interest on Overdraft Facilities		919,957	575,575
Interest on Client Savings		54,754	62,398
Interest on Lease		9,800	15,761
Foreign Exchange Loss		40,620	(4,546)
Financial Expenditures Sub-Total		**1,825,279**	**1,627,748**
Net Financial income		**5,436,251**	**5,468,621**
Loan Loss Provision	15a	216,055	217,284
Member Death Provision	15b	24,000	19,000
Spousal Death Provision	15c	3,000	11,000
Net Financial margin		**5,193,194**	**5,221,338**
Operating Expense	16	**3,109,448**	**3,092,626**
Net Operating Income		**2,083,746**	**2,128,712**
Non operating Revenue	17	-	-
Net Profit before income tax		**2,083,746**	**2,128,712**
Less: Income Tax Expense	19	564,801	554,063
Net Profit after Income Tax Expense		**1,518,946**	**1,574,649**

SPBD MICROFINANCE (SAMOA) LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Issued and Paid Up Capital $	Non-dilutive equity $	Retained Earnings/Losses $	Total $
Balance at 1 January 2021		88,094	215,878	5,963,462	**6,267,434**
Net Profit				1,518,947	**1,518,947**
Balance at 31 December 2021		**88,094**	**215,878**	**7,482,409**	**7,786,381**

SPBD MICROFINANCE (SAMOA) LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

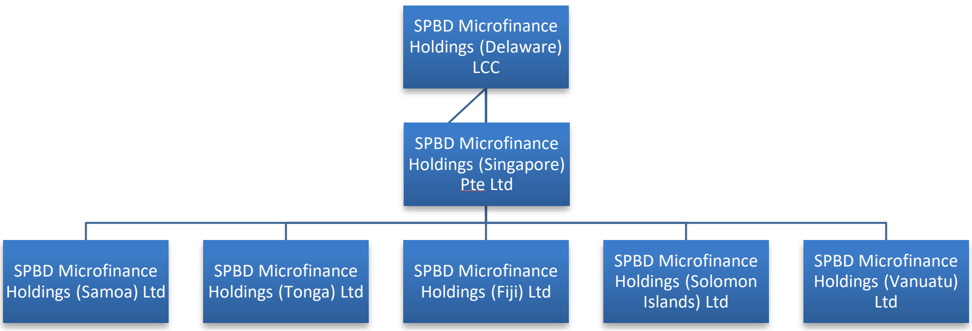
	31-Dec-21 WST ($)	31-Dec-20 WST ($)
CASHFLOW FROM OPERATING ACTIVITIES		
Interest Received	5,646,855	5,395,371
Fees Received	1,498,095	1,570,076
Interest Paid on Loans	(1,734,052)	(1,632,294)
Cash paid to suppliers & employees	(2,577,096)	(3,033,582)
Other receipts	119,851	130,923
Net cash provided by operating activities	**2,953,653**	**2,430,493**
CASHFLOW FROM INVESTING ACTIVITIES		
Loans Disbursement	(27,105,230)	(27,481,060)
Loans Repayment	23,222,307	22,201,887
Payments for Property & equipment	(449,727)	(1,800)
Net cash provided by investing activities	**(4,332,650)**	**(5,280,973)**
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	3,943,800	6,800,000
Repayments of Long Term Borrowings	(2,665,230)	(3,871,544)
Member Savings	12,293	(302,128)
Net cash provided by investing activities	**1,290,863**	**2,626,328**
NET INCREASE/(DECREASE) IN CASH AND IN BANKS	**(88,135)**	**(224,150)**
OPENING CASH BALANCE/DATE OF TRANSFER	**2,225,371**	**2,449,523**
CLOSING BALANCE	**2,137,235**	**2,225,371**

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 2021, SPBD has 29 staff of whom 8 are assigned in Savaii office and 21 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 2021*

New standards impacting the Company that have been adopted in the annual financial statements for the year ended 31 December 2021 are:

<u>COVID-19-Related Rent Concessions (Amendments to IFRS 16) (continued)</u>

In the annual financial statements for the year ended 31 December 2020, the Group had elected to utilise the practical expedient for all rent concessions that meet the criteria.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring 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 Group 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.

On 31 March 2021, the IASB issued another amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment COVID-19-Related Rent Concessions. Accordingly, the Group has applied the amendment Covid-19-Related Rent Concessions beyond 30 June 2021 in the current annual financial statements.

The Group had negotiated several rent concessions with lessors that affected payments originally due after 30 June 2021 but before 30 June 2022. In the annual financial statements for the year ended 31 December 2020, these ineligible rent concessions were accounted as lease modifications, as they were not eligible for the application of the practical expedient.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies (cont'd)

The ineligible rent concessions now qualify for application of the practical expedient due to the amendment issued in March 2021.

The transition provisions of the extension to the practical expedient require retrospective application, with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. Accordingly, the Group has reversed the lease modification accounting applied to the previously ineligible rent concessions reflected in the financial statements for the year ended 31 December 2020, with the effect being recognised as an adjustment to the opening balance of retained earnings as at 1 January 2021.

The effect of reversal of lease modification accounting and adjustment to the opening balance of retained earnings is disclosed in consolidated statement of changes in equity.

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 Group 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).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies (cont'd)

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group will assess the impact of the final amendments to IAS 1 on classification of its liabilities once the those are issued by the IASB. The Group does not believe that the amendments to IAS 1, in their present form, will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

Other

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

c. Functional and presentation currency

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

d. Foreign currency transactions

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

	31-Dec-21	**31-Dec-20**
NZD/WST	0.5857	0.5320
USD/WST	0.3925	0.3871

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i. Property and equipment (Cont'd)

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).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

j. Leases (Cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

o. Employee benefits (Cont'd)

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

Where necessary, comparative figures have been adjusted to conform with representations adopted in the current year.

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.

4 CASH ON HAND AND AT BANK

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Cash on Hand		
Petty Cash	2,707	2,707
Savaii Imprest	3,000	3,000
Upolu Imprest	10,000	10,000
Sub-Total	**15,707**	**15,707**
Bank Balances - Unrestricted		
United States Dollars	32,557	16,302
Samoan Tala	76,896	155,581
Sub-Total	**109,453**	**171,883**
Bank Balances - Restricted to Members Savings		
Samoan Tala Term Deposits	478,808	544,220
Samoan Tala Current Account	136,328	58,623
Total Non-Current Assets	**615,136**	**602,843**
Bank Balances - Restricted for security for overdraft facilities		
USD Term Deposit - (OD Facility - ANZ)	134,024	130,165
Samoan Tala Term Deposit (ANZ OD Facility)	1,128,853	1,108,174
USD Term Deposit - (OD Facility - SCB)	132,917	132,124
SPBD Samoan Tala - BSP	1,147	64,475
Sub-Total	**1,396,940**	**1,434,938**
TOTAL CASH ON HAND AND AT BANK	**2,137,235**	**2,225,371**

5. LOANS RECEIVABLES

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Total Disbursements (Accumulative Since Inception)	224,627,317	197,522,087
Less: Repayments (Accumulative Since Inception)	(196,089,818)	(172,867,510)
Written Off Loans	(1,884,964)	(1,734,122)
Gross Loan Receivable	**26,652,536**	**22,920,455**
Less: Loan Contingency Reserve	(361,321)	(296,108)
Total Loans Receivables	**26,291,215**	**22,624,346**

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 WST12,000.

5. LOANS RECEIVABLES (CONT'D)

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. In 2021, SME loans was reviewed by President, approved minimum from $10,000 to $50,000.

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 $3,000 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.

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

Borrower	Balance (WST)	Term	Status
Staff	$555,203.74	3 to 24 months	Current

The above balance of $555,203.74 for Staff loan transactions is included in the Gross loan receivable of WST $26,652,536 as at 31 December 2021.

6 OTHER RECEIVABLES

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Prepaid Insurance	32,659	13,101
Others (Deposit/Travel Advance/Bond & Others)	5,069	15,229
Employee Receivable	15,500	8,387
	53,228	**36,717**

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
GROSS CARRYING AMOUNTS							
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**
Accumulated Depreciation							
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**

	Leasehold Improvements	Furniture & Fittings	Office Equipment	Computer Equipment & Peripherals	Vehicle	Right use of Asset	Total
GROSS CARRYING AMOUNTS							
Opening Balance 01 Jan 2021	**17,175**	**47,178**	**15,999**	**67,257**	**987,366**	**234,758**	**1,369,733**
Additions - 2021	-	-	-	31,727	418,000		**449,727**
Balance as at 31 Dec 2021	**17,175**	**47,178**	**15,999**	**98,984**	**1,405,365**	**234,758**	**1,819,458**
Accumulated Depreciation							
Opening Balance 01 Jan 2021	**7,156**	**37,679**	**13,598**	**23,397**	**775,176**	**119,876**	**976,882**
Depreciation for the year - 2021	5,725	7,739	3,200	14,269	111,460	59,938	**202,332**
Balance as at 31 Dec 2021	**12,881**	**45,418**	**16,798**	**37,666**	**886,636**	**179,814**	**1,179,214**
Net Book Value 2021	**4,294**	**1,760**	**(799)**	**61,318**	**518,729**	**54,943**	**640,246**

9. OTHER CREDITORS AND ACCRUALS

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Prepaid Insurance	32,659	13,101
Others (Deposit/Travel Advance/Bond & Others)	5,069	15,229
Employee Receivable	15,500	8,387
	53,228	**36,717**

The Income Tax Payable detail is as follow.

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Net Profit before Tax	2,083,747	2,128,711
Add: First Time Provisioning	8,109	(76,625)
Total Net Profit before Tax	**2,091,856**	**2,052,086**
Income Tax @27%	564,801	554,063
Income Tax Payable Expense		
Beginning Balance 01/01/2021	167,473	146,803
Expenses for the year	564,801	554,063
Total	**732,274**	**700,866**
Payment made during the year	721,537	533,393
Balance Income Tax Payable	**10,737**	**167,473**

***Refer to note (19) for details of 2021 tax expenses*.**

10. RESERVES

a) Reserve for Member Death Benefit

The reserve is calculated based on 2021 number of members passed away, to ensure that SPBD has enough provision to cover for 2021-member death benefit.

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
DB Reserve	30,000	30,000
SDB Reserve	30,000	30,000
Total Reserve	**60,000**	**60,000**

b) Reserve for Spousal Death Benefit

This reserve is calculated based on 2021 number of spouses passed away, to ensure we provision enough to cover for 2021 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.

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Bank South Pacific (Samoa) Limited	615,136	602,843
Total	**615,136**	**602,843**

12. BORROWINGS

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Bank Overdraft	6,949,243	7,330,430
Bank Borrowings	670,152	849,319
Non-Bank Borrowings:		
- Secured	8,516,217	8,139,305
- Unsecured *	4,095,285	2,043,875
Total Borrowings	**20,230,897**	**18,362,929**

*Unsecured borrowings consist of KIVA funds and related party. Refer Note 25(b.) for details of Related Party borrowings.

The currency profile of the borrowings is as follows:

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Samoan Tala - WST	16,135,611	16,319,054
US Dollar - USD	3,821,163	,2,043,875
NZ Dollar - NZD	274,123	-
Total Borrowings	**20,230,897**	**18,362,929**

12. BORROWINGS (CONT'D)

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 $7,000,000 plus interest and costs.

- The overdraft is secured by WST term deposit amounting to $132,124.

- Standard Authority to Appropriate and Set-Off Term Deposits given by SPBD Microfinance (Samoa) Ltd amounting to WST $1,259,863.19 in total.

- Corporate Guarantee and Indemnity limited to $2,000,000 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-21 WST ($)	**31-Dec-20 WST ($)**
As 1 January	234,758	234,758
Amortisation	(179,814)	(119,876)
At 31 December	**54,944**	**114,882**

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

	31-Dec-21 WST ($)	**31-Dec-20 WST ($)**
Current	63,415	129,437
Non – Current	446,393	63,415
At 31 December	**509,808**	**192,852**

13. LEASES (CONT'D)

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

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
At 1 January	192,852	403,916
Interest expense	14,2867	31,332
New vehicle lease	418,000	-
Fees & charges	27,455	-
Repayments	(142,786)	(242,396)
At 31 December	**509,808**	**192,852**

Lease liability includes lease liability on building premises and motor vehicle lease.

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

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Equity Investment from SPBD Microfinance (Singapore)	303,972	303,972
Total	**303,972**	**303,972**

TVLLC-IFC was also received in previous years, thus increasing the total capital to $303,972.

14b RETAINED EARNINGS

Retained Earnings has increased from WST$5,963,462 to WST$7,482,408 at 31 December 2021.

15. LOAN LOSS PROVISIONING

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Loan Loss Provision	165,933	171,927
Loan Security Loss Provision	50,122	45,356
Total Loan Loss/Security Provision	**216,055**	**217,284**
b) Member Death Provision	**24,000**	**19,000**
c) Spousal Death Provision	**3,000**	**11,000**

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.

15. LOAN LOSS PROVISIONING (CONT'D)

Provisioning Ratios for Group Loans	Loan loss provision	Loan Outstanding	Loan Loss Prov. Amt.
1 week to 4 weeks late (<30 days)	5%	2,832,154	141,607
5 weeks to 8 weeks late (30 to 60 days)	10%	111,584	11,158
9 weeks to 12 weeks late (60 to 90)	25%	74,779	18,695
13 weeks to 16 weeks late (90 to 120)	50%	70,797	35,398
17 weeks to 20 weeks late (120 to 140)	75%	56,195	42,146
21 weeks or more (150 + days)	100%	112,317	112,317
TOTAL PROVISIONING AS OF 31 DECEMBER 2021			**361,321**

SPBD provides a 100% provision for loan losses for loans overdue for 21 weeks or more. The above calculation is the net result after 2021 writing off loans have been taken off. The total provisioning in 2021 is $361,321 as per Loan Contingency Reserve at 31 December 2021.

d) Write-offs

Loan Type	# of Loans	Write off WST	Amount as % of Loan Portfolio
Loan Insurance Losses	23	50,122	0.19%
Loans Written Off – 2021	42	100,719	0.38%
Total	**65**	**150,841**	**0.57%**

There were 23 SPBD members died in 2021, and their loans outstanding balances were written off to coincide with the Loan Insurance loss policy.

The decision as to which loans to write off in 2021 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 2021 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-21 WST ($)	31-Dec-20 WST ($)
Loan Loss Reserve – January 1	296,108	222,240
Plus: Additional reserve	165,933	171,927
Loan Loss Expense for the Year (RE)	50,122	45,356
Loans written off	100,720	143,415
Loan Loss Reserve 31 December	**361,321**	**296,108**

15. LOAN LOSS PROVISIONING (CONT'D)

ii) Movement in Loan Security Reserve

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Loan Loss Reserve Jan 1, 20		
Loan Loss expense for the year	50,122	45,356
Loans written off	50,122	45,356
Insurance Loan Loss Reserve	**Nil**	**Nil**

iii) Movement in Death Benefit Reserve

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Loan Loss Reserve Jan 1	30,000	30,000
DBI Additional Reserve	24,000	19,000
Payment made	24,000	19,000
DBI Reserve 2021	**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-21 WST ($)	31-Dec-20 WST ($)
Loan Loss Reserve Jan 1	30,000	30,000
DBI Additional Reserve	3,000	11,000
Payment made	3,000	11,000
DBI Reserve 2021	**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.

16. OPERATING EXPENSES

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Accident Compensation Board	13,227	14,410
Bank Charges	2,082	11,550
Guarantee Fees	50,000	50,000
Communications	126,433	146,091
Depreciation	202,331	197,781
Insurance	11,458	14,522
National Provident Fund	62,894	56,962
Office Expense (including Printing)	101,006	108,550
Other Expenses	7,081	15,766
Professional Services	1,258,488	1,209,889
Public Relations	-	400
Rental Expenses	139,417	117,425
Repairs & Maintenance	86,473	58,050
Salaries and Wages	758,695	773,680
Taxes and Fees	152,532	202,239
Training	15,501	9,372
Transportation	112,687	103,937
Travel	9,142	2,001
Operating Expenses	**3,109,448**	**3,092,626**

17. NON-OPERATING REVENUE

There is no revenue incurred under the non-operating revenue due to no gain on selling of fixed assets.

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-21 WST ($)	31-Dec-20 WST ($)
Net Profit before Tax	2,083,747	2,128,711
Add: First Time Provisioning	8,109	(76,625)
Total Net Profit before Tax	2,091,856	2,052,086
Income Tax @ 27%	**564,801**	**554,063**

20. FINANCIAL RISK MANAGEMENT

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

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

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

a) Liquidity risk

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

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

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

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 2021.

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 2021 based on contractual undiscounted payments:

	1 to 12 Months	1 to 5 Years	Over 5 Years	Total
Borrowings	2,169,160	18,061,737	-	20,230,897
Creditors	958,885	-	-	958,885
Lease Liability	509,808		-	509,808
Total financial liabilities	**3,637,853**	**18,061,737**	**-**	**21,699,590**

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.

20. FINANCIAL RISK MANAGEMENT (CONT'D)

b) Market risk (Cont'd)

i) Currency risk

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

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

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

ii) Foreign currency sensitivity

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

At 31 December 2021, 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 (2020: $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 2021, 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

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 2021, 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 2021.

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 to their operational challenges. The remittance in 2021 is still suspended.

25. RELATED PARTY TRANSACTIONS

Transformer Ventures (TVLLC) provides executive management services to SPBD Microfinance (Samoa) Ltd. The quarterly fees remain the same in 2021 amount of WST$100,000, a total of WST$400,000 for 4 quarters in 2021.

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$69,000 in 2020 to USD$82,800 in 2021, a total of USD$331,200 (equivalent to WST$813,460) for 4 quarters in 2021.

a. Related Party Transaction:

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Transformative Ventures (TVLLC)	400,000	400,000
SPBD Microfinance (Holdings) Pte Ltd	813,460	759,973
Total	**1,213,460**	**1,159,973**

b. Intercompany Borrowings:

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
SPBD Microfinance Holdings Pte. Ltd. (a)	2,329,963	-
The MicroDreams Foundation, Inc. (b)	266,312	-
Total Intercompany Borrowings	**2,596,275**	**-**

(a) The borrowing from SPBD Microfinance Holdings Pte. Ltd. was done in December 2021. Refer below for the loan detail:

Date of Borrowing	Amount	Interest rate	Due for Repayment
8 December 2021	USD$600,000	8%	31 December 2024
17 December 2021	USD$200,000	8%	31 December 2024
17 December 2021	NZD$150,000	8%	31 December 2024

(b) The borrowing from The MicroDreams Foundation, Inc was done in December 2021. The total amount borrowed was USD100,000 with an interest of 6.5% per annum. The loan is due for payment in 2 payments of USD50,000 each on 30 June 2025 and 30 September 2025.

26. SIGNIFICANT EVENTS DURING THE YEAR

Apart from the ongoing effects of COVID 19 there were no other significant events noted during the year.

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.

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 2021

Loan Type	# of Loans	Amount of Loans	Amount as % of Total Portfolio
Micro Loans	5,513	16,113,770	59.4%
SME Loans	220	5,199,000	19.2%
OWL Loans	843	2,061,000	7.6%
Higher Education Loan	70	103,550	0.4%
White Goods Financing	109	210,100	0.8%
Employee Loans	82	266,110	1.0%
Revival Loans	1,210	3,151,700	11.6%
Total	**8,047**	**27,105,230**	**100.0%**
Ave. loan size at Disbursement		***3,368***	

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%
Restructed 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***	

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 textbooks.

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.

		31-Dec-21			31-Dec-20		
Loan Types	**# of Accounts**	**Outstanding Principal Balance**	**PAR > 30 Amount WST$**	**PAR > 30 Days (%)**	**Outstanding Principal Balance**	**PAR Amount WST$**	**PAR > 30 Days (%)**
Group Loans							
Current	8291	24,332,154			21,145,479		
1-4 weeks late (<30 days)	506	1,339,506			976,360		
5-8 weeks late (30 to 60 days)	70	111,584	111,584	0.42%	49,985	49,985	0.22%
9-12 weeks late (60 to 90days)	67	74,779	74,779	0.28%	66,367	66,367	0.29%
13-16 weeks late (90 to 120 days)	64	70,797	70,797	0.27%	65,038	65,038	0.28%
17-20 weeks late (120 to 140 days)	39	56,195	56,195	0.21%	83,156	83,156	0.36%
over 21 weeks late (over 150 days)	248	112,317	112,317	0.42%	80,579	80,5791	0.35%
Sub-total	**9,285**	**26,097,331**	**425,672**	**1.63%**	**22,466,964**	**345,125**	**1.54%**
Staff Loans							
Current	221	555,204			453,491		
Over 4 weeks in arrears							
Grand Total	**9,506**	**26,652,535**	**425,672**	**1.60%**	**22,920,455**	**345,125**	**1.50%**

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-21 WST ($)	31-Dec-20 WST ($)
Number of outstanding loan accounts	9,506	9,383

Savings Accounts

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

	31-Dec-21 WST ($)	31-Dec-20 WST ($)
Number of savings accounts	20,210	20,550

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.