



**SPBD MICROFINANCE (SAMOA) LTD**

**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

## **CONTENTS**

	<b>Page</b>
<b>Statement of the Board of Directors</b>	<b>3 - 4</b>
<b>Independent Auditor's Report</b>	<b>5 - 6</b>
<b>Statement of Financial Position</b>	<b>7</b>
<b>Statement of Financial Performance</b>	<b>8</b>
<b>Statement of Changes in Equity</b>	<b>9</b>
<b>Statement of Cash Flows</b>	<b>10</b>
<b>Notes to the Financial Statements</b>	<b>11 – 32</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**STATEMENT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

---

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 2023.

**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 2023 are set out in the statement of financial performance. SPBD made a net loss after tax of WST \$1,844,640 (2022: WST \$2,056,326 and 2021: WST \$2,249,850) 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 |
| • Sandeep Lohani, SPBD Singapore Holdings | 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 1<sup>st</sup> Floor A1.3, NPF Plaza, Savalalo, Apia, Samoa. The postal address is PO Box 1614 and it is located at Apia, Samoa.

**SIGNIFICANT EVENTS DURING THE YEAR**

There were no 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.

**SPBD MICROFINANCE (SAMOA) LTD  
STATEMENT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

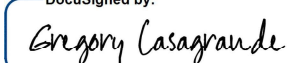
**RESPONSIBILITIES OF THE BOD IN RESPECT OF THE FINANCIAL STATEMENTS**

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 2023, 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,

DocuSigned by:  
  
554A5C426502490...  
**Gregory F. Casagrande**  
Chairman

Date: 11/22/2024

## 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 (Company) Ltd, which comprise:

- the statement of financial position as at December 31, 2023;
- the statement of comprehensive income, statement of general funds, and statement of cash flows for the year ended 31 December 2023; and
- notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and (of) its financial performance and its cash flows for the year ended 31 December 2023 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### 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.

#### Emphasis of Matter

We draw attention to Note 4 to the financial statements. The financial statements for the years ended 31 December 2022 and 31 December 2021 were restated to correct material misstatements in the prior periods. The restatement was necessary to correct errors relating to loan receivable balances and members' savings, resulting in an impact on net profit and income tax balances. The effects of the correction on the previously reported amounts are disclosed in Note 4 to the financial statements. Our opinion is not modified in respect of this matter.

#### 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 IFRS Accounting Standards, 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 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 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 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.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the requirements of:

- i. Companies Act 2001:

We also confirm that:

- a. we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b. the Company has kept financial records sufficient to enable the financial statements to be prepared and audited.

**BDO**

**CHARTERED ACCOUNTANTS**



**Hanalei Betham**

**Engagement Partner**

Samoa

Date: 22 November 2024

**SPBD MICROFINANCE (SAMOA) LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

		<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>Notes</b>	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
<b>Assets</b>				
Cash on hand and at bank	5	2,419,246	2,082,259	2,137,237
Loans receivables	6	10,059,556	14,666,269	17,616,030
Other receivables	7	24,615	30,352	53,228
Goodwill	8	979,183	979,183	979,183
Property and equipment	9	460,636	472,773	640,246
Income tax receivable	10	2,248,467	1,683,667	1,108,127
Deferred tax asset	10	3,194,258	2,466,695	1,706,136
<b>Total assets</b>		<b>19,385,961</b>	<b>22,381,198</b>	<b>24,240,187</b>
<b>Liabilities</b>				
Other creditors and accruals	11	767,994	291,891	888,148
Reserve for member death benefit	12	30,000	30,000	30,000
Reserve for spousal death benefit	12	30,000	30,000	30,000
Member savings deposits	13	1,749,393	2,579,012	2,366,076
Borrowings	14	20,041,442	20,943,760	20,230,897
Leases	15	482,840	377,603	509,808
<b>Total liabilities</b>		<b>23,101,669</b>	<b>24,252,266</b>	<b>24,054,929</b>
<b>Equity and reserves</b>				
Paid-in-capital	16a	303,972	303,972	303,972
Retained earnings	16b	(4,019,680)	(2,175,041)	(118,714)
<b>Total equity and reserves</b>		<b>(3,715,708)</b>	<b>(1,871,069)</b>	<b>185,258</b>
<b>Total liabilities, equity and reserves</b>		<b>19,385,961</b>	<b>22,381,198</b>	<b>24,240,187</b>

The accompanying notes form part of these financial statements.

**SPBD MICROFINANCE (SAMOA) LTD**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

		<b>31-Dec-23</b>	<b>Restatement</b>	<b>Restatement</b>
	<b>Notes</b>	<b>WST (\$)</b>	<b>31-Dec-22</b>	<b>31-Dec-21</b>
			<b>WST (\$)</b>	<b>WST (\$)</b>
<b>Financial income</b>				
Interest income from MF loans		4,752,045	5,850,539	5,646,855
Loan security fee (LSF)		375,907	577,602	628,747
Death benefit fee (DBF)		40,806	64,738	80,256
Spouse death benefit fee (SDBF)		9,195	14,027	14,865
Savings fees		10,575	28,708	14,342
Interest on bank accounts and term deposits		31,669	45,033	40,431
Loan recoveries	22	273,777	109,531	14,548
Development fees		479,434	686,346	759,885
Commissions		31,328	4,756	8,679
Miscellaneous income		11,982	22,230	52,921
<b>Financial income sub-total</b>		<b>6,016,718</b>	<b>7,403,510</b>	<b>7,261,529</b>
<b>Financial expenditures</b>				
Interest expense		(929,982)	(996,083)	(800,149)
Interest on overdraft facilities		(776,031)	(755,173)	(919,957)
Interest on client savings		(12,900)	(64,173)	(54,754)
Interest on lease		(21,156)	(3,215)	(9,800)
Guarantee fees		(50,000)	(50,000)	-
Foreign exchange loss		(122,362)	(151,400)	(40,620)
Loss on disposal of assets		(98,987)	-	-
<b>Financial expenditures sub-total</b>		<b>(2,011,418)</b>	<b>(2,020,044)</b>	<b>(1,825,280)</b>
<b>Net financial income</b>		<b>4,005,301</b>	<b>5,383,466</b>	<b>5,436,249</b>
Loan loss provision	17a	(3,708,612)	(4,919,319)	(5,381,788)
Member death provision	17b	(15,000)	(9,000)	(24,000)
Spousal death provision	17c	(3,000)	(9,000)	(3,000)
<b>Net financial margin</b>		<b>278,688</b>	<b>446,147</b>	<b>27,461</b>
<b>Operating expense</b>	18	(2,979,867)	(3,287,033)	(3,109,447)
<b>Net operating loss</b>		<b>(2,701,178)</b>	<b>(2,840,886)</b>	<b>(3,081,986)</b>
<b>Non operating revenue</b>	19	<b>6,500</b>	<b>24,000</b>	<b>-</b>
<b>Net loss before tax</b>		<b>(2,694,678)</b>	<b>(2,816,886)</b>	<b>(3,081,986)</b>
Less: income tax benefit		850,039	760,560	832,136
<b>Net loss after tax</b>		<b>(1,844,640)</b>	<b>(2,056,326)</b>	<b>(2,249,850)</b>

The accompanying notes form part of these financial statements.

**SPBD MICROFINANCE (SAMOA) LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	Issued and paid up capital \$	Non-dilutive equity \$	Retained earnings/losses \$	Total \$
Restated balance at 1 January 2021		88,094	215,878	2,131,136	2,435,108
Restated net loss		-	-	(2,249,850)	(2,249,850)
<b>Restated balance at 31 December 2021</b>		<b>88,094</b>	<b>215,878</b>	<b>(118,714)</b>	<b>185,258</b>
Restated net loss		-	-	(2,056,326)	(2,056,326)
<b>Restated balance at 31 December 2022</b>		<b>88,094</b>	<b>215,878</b>	<b>(2,175,041)</b>	<b>(1,871,069)</b>
Restated net loss		-	-	(1,844,640)	(1,844,640)
<b>Restated balance at 31 December 2023</b>		<b>88,094</b>	<b>215,878</b>	<b>(4,019,680)</b>	<b>(3,715,708)</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>31-Dec-23</b>	<b>31-Dec-22</b>	<b>31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
<b>Cash flows from/(used in) operating activities</b>			
Interest received	4,752,045	5,850,539	5,646,855
Fees received	1,264,673	1,421,211	1,498,095
Interest paid on loans	(1,740,069)	(1,818,644)	(1,734,052)
Cash paid to suppliers & employees	(6,655,245)	(6,663,208)	(4,576,225)
Other receipts	6,500	155,761	119,851
<b>Cash flows used in operating activities</b>	<b>(2,372,096)</b>	<b>(1,054,341)</b>	<b>954,524</b>
<b>Cash flows from/(used in) investing activities</b>			
Loans disbursement	(16,169,950)	(24,358,330)	(27,107,030)
Loans repayment	19,972,848	25,418,258	25,223,234
Payments for property and equipment	(16,970)	(20,011)	(449,727)
<b>Net cash from/(used in) investing activities</b>	<b>3,785,928</b>	<b>1,039,917</b>	<b>(2,333,523)</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from long term borrowings	4,055,783	4,747,602	3,943,800
Repayments of long term borrowings	(4,942,998)	(4,939,040)	(2,665,230)
Member savings	(189,630)	150,886	12,293
<b>Net cash from/(used in) financing activities</b>	<b>(1,076,845)</b>	<b>(40,552)</b>	<b>1,290,863</b>
<b>Net cash flow for the year</b>	<b>336,987</b>	<b>(54,976)</b>	<b>(88,136)</b>
Cash and bank balance at beginning of year	2,082,259	2,137,235	2,225,371
<b>Cash and bank balance at end of year</b>	<b>2,419,246</b>	<b>2,082,259</b>	<b>2,137,235</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

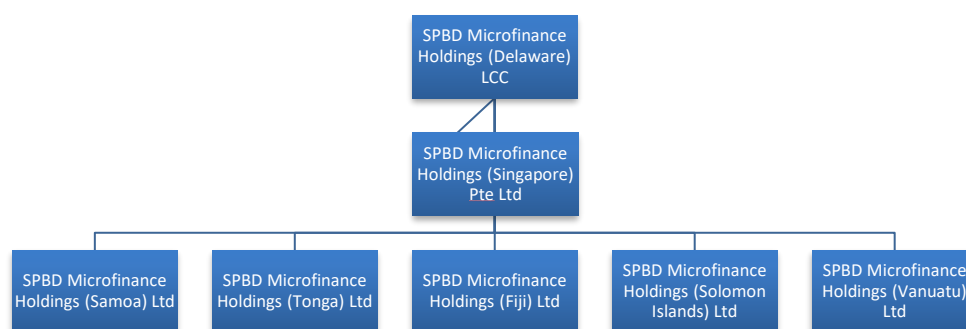
---

**1. General information**

SPBD Microfinance (Samoa), Ltd. (“SPBD”), was incorporated under the Companies Act 2001 on the 13<sup>th</sup> day of December 2010 with the Ministry of Commerce, Industry, and Labour (MCIL) of Samoa. SPBD took over the activities, assets, and liabilities of South Pacific Business Development Foundation via purchase agreement. The aims of SPBD are to improve the quality of life of families living in poverty by providing training, unsecured credit and 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 284551/99777 from the Ministry for Revenue Services, Government of Samoa to carry on the business or economic activity of financial leasing.

As at 31 December 2023, SPBD has 28 staff of whom 7 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 2023***

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

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Tax)

The Company carried out an assessment of the new standards, interpretations and amendments and concluded that the adoption of the above new standards, interpretations and amendments has had no effect on the financial statements.

#### **ii. *New standards, interpretations and amendments effective from 1 January 2024:***

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 as some of them may not be applicable. The Company is still reviewing the effect of these new standards for applicability and impact on its financial statements for the next financial year.

**2. Significant accounting policies (continued)**

**b. Changes in accounting policies (continued)**

The following amendments are effective for the period beginning 1 January 2024:

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendment – Supplier Finance Arrangements).

**iii. *New standards, interpretations and amendments effective from 1 January 2025:***

- Lack of Exchangeability (Amendments to IAS 21)

The Company is currently assessing the impact of these new accounting standards and amendments. The Association will assess the impact of the final amendments to IAS 1 on classification of its liabilities once those are issued by the IASB. The Company does not believe that the amendments to IAS 1, in their present form, will have a significant impact on the classification of its liabilities.

The Company is currently assessing the impact of these new accounting standards and amendments.

The Company will assess the impact of the final amendments to IAS 1 on classification of its liabilities once those are issued by the IASB. The Company 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 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 2023**

---

**2. Significant accounting policies (continued)**

**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 revaluation of foreign liabilities at year end is calculated at the spot rate, whereas the revaluation of foreign assets is calculated by using the year end TT buying rate. The following exchange rates were used to convert monetary assets and liabilities denominated in foreign currencies at year end:

	<b>TT BUYING RATE 31 DECEMBER 2023</b>	<b>SPOT SELLING RATE 31 DECEMBER 2023</b>	<b>TT BUYING RATE 31 DECEMBER 2022</b>
USD	0.3619	0.3789	0.3826
AUD	0.5290	0.5540	0.5726
NZD	0.5679	0.6009	0.6156
EURO	0.3208	0.3468	-

**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 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.

**2. Significant accounting policies (continued)**

**e. Revenue recognition (continued)**

*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.

**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 2023**

---

**2. Significant accounting policies (continued)**

**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).

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.

**2. Significant accounting policies (continued)**

**j. Leases (continued)**

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.

**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.

**2. Significant accounting policies (continued)**

**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**

Where necessary, comparative figures have been adjusted to conform to 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. Comparative errors**

##### **Nature of errors:**

During the preparation of the comparative financial statements for the period ending 31 December 2021, 31 December 2022 and subsequently led to the restatement of 31 December 2023 period. Certain errors were identified in the reported figures for both years. These errors include:

- **Understatement of loan loss provisions:**  
The provisions for loan losses were understated due to inadequate assessments of credit risk, which resulted in an overstatement of the net loan balance.
- **Member savings:**  
Member savings were not accurately reflected in the financial statements, impacting the reported equity and the transparency of member contributions.

##### **Impact of errors:**

The errors identified have resulted in the following discrepancies:

- **Net loan balance adjustment:**  
Following the reassessment of loan loss provisions, the corrected net loan balance for the year ended 31 December 2021 is now \$17,616,030 tala, down from the previously reported figure of \$26,291,215 tala. For the year ended 31 December 2022, the net loan balance is now \$14,666,269 tala, down from \$27,904,155 tala. For 31 December 2023, it is now \$10,059,556 tala, down from \$27,016,576 tala.
- **Restatement of provisions:**  
The total provisions for loan losses were originally reported as \$353,506 tala for 31 December 2023 and \$419,339 tala for 31 December 2022. Additionally, the provisions for 31 December 2021 were previously reported as \$361,322 tala. Following a reassessment of credit risk and the impact of prior misstatements, the provisions have been adjusted to \$4,443,268 tala for 31 December 2023, \$4,194,152 tala for 31 December 2022, and \$2,509,906 tala for 31 December 2021. These adjustments accurately reflect the expected credit losses based on updated assessments, ensuring compliance with SFRS(I) requirements for recognizing provisions in line with actual risk exposure.
- **Income tax receivable adjustment:**  
The correction of income tax receivables has resulted in a recognition of \$2,248,467 tala for the year ended 31 December 2023, accurately reflecting the business's loss position and the overpayment of taxes. The overprovision of income taxes from 2022, 2021 and 2020 have been corrected in 2023. Consequently, the Deferred tax asset balance of \$3,194,258 tala for 2023, \$2,466,695 tala for 2022, and \$1,706,136 tala for 2021 have been recognized.

#### **4. Comparative errors (continued)**

##### **Impact of errors (continued):**

- **Member savings:**

The member savings have been corrected to accurately reflect the contributions of members. The previously reported member savings were \$615,136 tala for 31 December 2021, \$766,022 tala for 31 December 2022, and \$466,814 tala for 31 December 2023. Following a reassessment, the corrected savings are now recognized as \$2,366,076 tala for 2021, \$2,579,012 tala for 2022, and \$1,749,393 tala for 2023, ensuring transparency in member contributions.

- **Net profit adjustment:**

The previously reported net profit for 2021 was \$1,518,947 tala, which has been restated to reflect a loss of \$2,249,850 tala. For 2022, the previously reported net profit of \$1,304,309 tala has been restated to reflect a loss of \$2,056,326 tala. Additionally, the net profit for 2023 was initially reported as \$140,448 tala and has been restated to a loss of \$1,844,640 tala. These adjustments ensure that the financial statements accurately represent the company's performance.

##### **Corrective actions:**

In response to these errors, the following corrective actions have been taken:

- **Reassessment of loan balances:**

Loan loss provisions have been reassessed, with adjustments made to correct the overstatement. This ensures that future reporting accurately reflects the actual financial position.

- **Restatement of tax position:**

The entity's tax position has been corrected to reflect the fact that it was operating at a loss in prior periods. The business is now in a tax receivable position, which will be used as a credit to offset future tax liabilities. Additionally, processes have been implemented to ensure accurate tax calculations in future periods.

- **Strengthening of internal controls:**

Internal controls have been reviewed and enhanced as well as governance controls to prevent significant errors in the future.

The Company is committed to maintaining accurate and reliable financial reporting. The adjustments made have been reflected in the comparative financial statements and will be carried forward into subsequent financial periods. The processes and controls have been improved to prevent the recurrence of such errors, ensuring the integrity of financial data and compliance with tax obligations.

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**5. Cash on hand and at bank**

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
<b>Cash on hand</b>			
Petty cash	2,707	2,707	2,707
Savaai imprest	3,000	3,000	3,000
Upolu imprest	10,000	10,000	10,000
<b>Sub-total</b>	<b>15,707</b>	<b>15,707</b>	<b>15,707</b>
<b>Bank balances - unrestricted</b>			
United states dollars	264,609	733	32,557
Samoaan tala	183,045	6,397	76,896
<b>Sub-total</b>	<b>447,654</b>	<b>7,130</b>	<b>109,453</b>
<b>Bank balances - restricted to members savings</b>			
Samoaan tala term deposits	355,704	485,962	478,808
Samoaan tala current account	150,581	141,239	136,328
Samoaan tala term deposit (ANZ OD facility)	1,173,167	1,155,005	1,128,853
USD term deposit - (OD facility - ANZ)	133,517	139,763	134,024
<b>Sub-total</b>	<b>1,812,969</b>	<b>1,921,969</b>	<b>1,878,013</b>
<b>Bank balances - restricted for security for overdraft facilities</b>			
USD term deposit - (OD facility - SCB)	141,769	136,306	132,917
SPBD Samoaan tala - BSP	1,147	1,147	1,147
<b>Sub-total</b>	<b>142,916</b>	<b>137,453</b>	<b>134,064</b>
<b>Total cash on hand and at bank</b>	<b>2,419,246</b>	<b>2,082,259</b>	<b>2,137,237</b>

**6. Loan receivables**

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Total disbursements (accumulative since inception)	265,176,936	249,006,986	224,648,656
Less: repayments (accumulative since inception)	(247,908,732)	(227,935,883)	(202,517,626)
Written off loans	(2,765,381)	(2,210,682)	(2,005,094)
<b>Gross loan receivable</b>	<b>14,502,824</b>	<b>18,860,421</b>	<b>20,125,936</b>
Less: loan contingency reserve	(4,443,268)	(4,194,152)	(2,509,906)
<b>Total loans receivables</b>	<b>10,059,556</b>	<b>14,666,269</b>	<b>17,616,030</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**6. Loan receivables (continued)**

<b>Provisioning ratios for group loans</b>	<b>Loan loss provision</b>	<b>Loan outstanding</b>	<b>Loan loss provision amount</b>
<1 week aged (<7 Days)	0%	8,588,840	-
1 week to 4 weeks late (<30 days)	5%	212,398	10,620
5 weeks to 8 weeks late (30 to 60 days)	10%	72,208	7,221
9 weeks to 12 weeks late (60 to 90)	25%	67,856	16,964
13 weeks to 16 weeks late (90 to 120)	50%	123,628	61,814
17 weeks to 20 weeks late (120 to 140)	75%	99,515	74,637
21 weeks or more (150 + days)	100%	4,184,258	4,184,258
Provisioning for staff loan			849,146
Less: Savings adjustment			(761,391)
<b>Total provisioning as of 31 December 2023</b>			<b>4,443,268</b>

**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% 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.
- 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. The maximum amount of loan was reviewed and approved to increase to \$5,000, and the term to increase based on the term of their contract.
- 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.

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**6. Loan receivables (continued)**

- 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.

**7. Other receivables**

	<b>31-Dec-23</b>	<b>31-Dec-22</b>	<b>31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Prepaid insurance	24,615	27,352	32,659
Others (deposit/travel advance/bond & others)	-	500	5,069
Employee receivable	-	2,500	15,500
<b>Total other receivables</b>	<b>24,615</b>	<b>30,352</b>	<b>53,228</b>

**8. 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.

**9. Property and equipment**

	<b>Leasehold improvements</b>	<b>Furniture and fittings</b>	<b>Office equipment</b>	<b>Computer equipment and peripherals</b>	<b>Vehicle</b>	<b>Right use of asset</b>	<b>Total</b>
<i><b>Gross carrying amounts</b></i>							
At 31/12/2022	17,175	59,678	23,510	98,984	1,405,365	234,758	1,839,470
Additions	-	3,051	9,500	(31,284)	(68,065)	234,758	147,960
At 31/12/2023	<b>17,175</b>	<b>62,798</b>	<b>33,010</b>	<b>67,700</b>	<b>1,337,300</b>	<b>469,516</b>	<b>1,987,430</b>
<i><b>Accumulated depreciation</b></i>							
At 31/12/2022	17,175	48,518	16,960	51,051	998,236	234,757	1,366,697
Depreciation for the year	-	4,773	3,244	8,657	88,267	59,938	164,879
Depreciation write back	-	-	-	(4,782)	-	-	(4,782)
At 31/12/2023	<b>17,175</b>	<b>53,291</b>	<b>20,204</b>	<b>54,926</b>	<b>1,086,503</b>	<b>294,695</b>	<b>1,526,794</b>
<i><b>Net book value</b></i>							
As at 31/12/2022	-	<b>11,160</b>	<b>6,550</b>	<b>47,933</b>	<b>407,129</b>	-	<b>472,773</b>
As at 31/12/2023	-	<b>9,438</b>	<b>12,806</b>	<b>12,774</b>	<b>250,797</b>	<b>174,820</b>	<b>460,636</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**9. Property and equipment (continued)**

	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipment and peripherals	Vehicle	Right use of asset	Total
<b>Gross carrying amounts</b>							
At 31/12/2021	4,294	1,760	(799)	61,318	518,729	54,944	640,246
Additions	12,881	57,918	24,309	37,666	886,636	179,814	1,199,224
At 31/12/2022	<b>17,175</b>	<b>59,678</b>	<b>23,510</b>	<b>98,984</b>	<b>1,405,365</b>	<b>234,758</b>	<b>1,839,470</b>
<b>Accumulated depreciation</b>							
At 31/12/2021	12,881	45,418	16,798	37,666	886,636	179,814	1,179,213
Depreciation for the year	4,294	3,100	162	13,385	111,600	54,943	187,484
At 31/12/2022	<b>17,175</b>	<b>48,518</b>	<b>16,960</b>	<b>51,051</b>	<b>998,236</b>	<b>234,757</b>	<b>1,366,697</b>
<b>Net book value</b>							
As at 31/12/2021	<b>4,294</b>	<b>1,760</b>	<b>(799)</b>	<b>61,318</b>	<b>518,729</b>	<b>54,944</b>	<b>640,246</b>
As at 31/12/2022	<b>-</b>	<b>11,160</b>	<b>6,550</b>	<b>47,933</b>	<b>407,129</b>	<b>-</b>	<b>472,773</b>

**10. Income tax**

	<b>31-Dec-23</b>
	<b>WST (\$)</b>
Loss before tax	(2,694,678)
Add: adjustment for over-provision in prior years	4,323,797
Total taxable profit before tax	1,629,119
Income tax expense @27%	439,862

**Income tax reconciliation**

Opening tax credit	1,683,666
Add: income tax paid	61,239
Add: provision tax paid	503,562
<b>Total income tax credit</b>	<b>2,248,467</b>

**Deferred tax asset**

Carried forward tax on losses and temporary differences	2,466,695
Add: deferred tax asset on losses	(439,862)
Add: deferred tax asset on timing difference	1,167,425
<b>Deferred tax asset at year end</b>	<b>3,194,258</b>

The comparatives for 2022 and 2021 restated figures are not disclosed as it was impractical to do so due to the adjustments to timing differences that have been accumulated due to the restatements of the balances that give rise to taxable temporary differences.

**11. Other creditors and accruals**

	<b>31-Dec-23</b>	<b>Restatement</b>	<b>Restatement</b>
	<b>WST (\$)</b>	<b>31-Dec-22</b>	<b>31-Dec-21</b>
		<b>WST (\$)</b>	<b>WST (\$)</b>
Accrued expenses and other payables	767,994	291,891	888,148
<b>Total other creditors and accruals</b>	<b>767,994</b>	<b>291,891</b>	<b>888,148</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**12. Reserves**

**a) Reserve for Member Death Benefit**

The reserve is calculated based on 2023 number of members passed away, to ensure that SPBD has enough provision to cover for 2023-member death benefit.

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
DB reserve	30,000	30,000	30,000
SDB reserve	30,000	30,000	30,000
<b>Total reserve for member death benefit</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>

**b) Reserve for Spousal Death Benefit**

This reserve is calculated based on 2023 number of spouses passed away, to ensure we provision enough to cover for 2023 Spousal death benefit.

**13. Members saving deposit**

SPBD initially developed the micro-savings program in partnership with UNDP and WESTPAC Bank. SPBD formally launched the micro-savings program on October 7<sup>th</sup>, 2004 following a 3 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. Members saving deposits are supported by SPBD group and its related entities.

As part of its policy, SPBD may apply members' compulsory savings towards the adjustment of overdue amounts on identified loan accounts. This action is taken solely to address loan overdue and is reflected in the members' savings deposit balance when applied.

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Opening balance	2,579,012	2,366,076	602,843
Add: movement in regular savings	(829,619)	212,936	1,763,233
<b>Total members saving deposit</b>	<b>1,749,393</b>	<b>2,579,012</b>	<b>2,366,076</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**14. Borrowings**

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Bank overdraft	6,207,815	6,766,196	6,949,243
Bank borrowings	247,912	470,476	670,152
<b>Non-banking borrowings:</b>			
Secured	5,532,201	8,726,553	8,516,217
Unsecured	8,053,514	4,980,535	4,095,285
<b>Total borrowings</b>	<b>20,041,442</b>	<b>20,943,760</b>	<b>20,230,897</b>

\*Unsecured borrowings consist of KIVA funds, Micro Dreams Loan and related party. Refer Note 26(b.) for details of Related Party borrowings.

The borrowing from The Micro Dreams Foundation, Inc was done in May, October and December 2023 for USD\$250,000. The total amount borrowed so far was USD705,000 with an interest of 6.5% per annum.

The currency profile of the borrowings is as follows:

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Samoan Tala - WST	11,987,927	17,251,921	16,135,611
US Dollar - USD	6,607,948	281,579	3,821,163
NZ Dollar - NZD	176,087	220,381	274,123
AUD Dollar - AUD	661,625	659,879	-
EURO Dollar - EUR	607,855	-	-
<b>Total borrowings</b>	<b>20,041,442</b>	<b>20,943,760</b>	<b>20,230,897</b>

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 \$139,608.
- Standard Authority to Appropriate and Set-Off Term Deposits given by SPBD Microfinance (Samoa) Ltd amounting to WST \$1,306,689 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.

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**15. 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**

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST\$</b>	<b>WST\$</b>	<b>WST\$</b>
As 1 January	234,758	234,758	234,758
Amortisation	(59,938)	(234,758)	(179,814)
<b>At 31 December</b>	<b>174,820</b>	<b>-</b>	<b>54,944</b>

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

**15. Leases (continued)**

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST\$</b>	<b>WST\$</b>	<b>WST\$</b>
Current	72,687	69,317	63,415
Non-current	410,153	308,286	446,393
<b>At 31 December</b>	<b>482,840</b>	<b>377,603</b>	<b>509,808</b>

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

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST\$</b>	<b>WST\$</b>	<b>WST\$</b>
At 1 January	377,603	509,808	192,852
Interest expense	62,083	52,815	14,287
New rental lease	234,758	-	418,000
Fees and charges	-	-	27,455
Repayments	(191,604)	(185,020)	(142,786)
<b>At 31 December</b>	<b>482,840</b>	<b>377,603</b>	<b>509,808</b>

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

**16a. 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.

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Equity investment from SPBD Microfinance (Singapore)	303,972	303,972	303,972
<b>Total paid in capital</b>	<b>303,972</b>	<b>303,972</b>	<b>303,972</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**16b. Retained earnings**

As at 31 December 2023, the company has accumulated losses of WST \$4,019,680 (2022: WST \$2,175,041 and 2021: WST \$118,714).

**17a. Loan loss provisioning**

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

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST\$</b>	<b>WST\$</b>	<b>WST\$</b>
Loan loss provision expensed	273,405	1,951,882	3,382,662
Shortfall in loan repayments	3,435,207	2,967,437	1,999,126
<b>Total loan loss provisioning</b>	<b>3,708,612</b>	<b>4,919,319</b>	<b>5,381,788</b>

**17. Loan loss provisioning (continued)**

<b>b) Member death payments</b>	<b>15,000</b>	<b>9,000</b>	<b>24,000</b>
<b>c) Spousal death payments</b>	<b>3,000</b>	<b>9,000</b>	<b>3,000</b>

**d) Movement**

**i) Movement loan loss reserve**

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

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Loan loss provision - Opening	4,194,152	2,509,907	1,252,823
Additional reserve	3,708,612	4,919,319	5,381,788
Loan loss expense for the year - deceased members	(38,857)	(35,022)	(50,122)
Members savings shortfall	530,410	(62,050)	(1,750,940)
Write off loan repayment shortfalls and staff frauds	(3,435,207)	(2,967,437)	(1,999,126)
Loans written off in the year	(515,842)	(170,566)	(324,516)
<b>Loan loss reserve 31 December</b>	<b>4,443,268</b>	<b>4,194,152</b>	<b>2,509,906</b>

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**18. Operating expenses**

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Accident compensation board	14,870	16,637	13,227
Bank charges	10,233	5,675	2,082
Guarantee Fees	-	-	50,000
Communications	191,011	143,423	126,433
Depreciation	164,880	187,484	202,331
Insurance	30,694	32,314	11,458
National provident fund	75,565	75,768	62,894
Office expense (including printing)	57,999	79,708	101,006
Other expenses	13,072	16,973	7,081
Professional services	1,075,623	1,364,960	1,258,488
Rental expenses	128,277	105,008	139,417
Repairs and maintenance	59,681	44,848	86,473
Salaries and wages	837,212	791,447	758,695
Taxes and fees	152,094	297,000	152,532
Training	-	1,420	15,501
Transportation	131,299	119,172	112,687
Travel	37,357	5,196	9,142
<b>Operating expenses</b>	<b>2,979,867</b>	<b>3,287,033</b>	<b>3,109,447</b>

**19. Non-operating revenue**

We have collected a non-operating revenue amount \$6,500 from Business Women of Year Awards.

**20. 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.

**21. Financial risk management**

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

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

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

## **21. Financial risk management (continued)**

### **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 facility 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 \$2.4 million tala at 31 December 2023.
- 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 2023 based on contractual undiscounted payments:

### **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 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.

## **21. Financial risk management (continued)**

### **b) Market risk (continued)**

#### ***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 2023, 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 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 understands the terms and condition of the loan

## **22. Loan recoveries**

Loan Recoveries is the total amount of payments collected from loans that have already been written off in SPBD books of account. In 2023, SPBD was able to collect some payments from default loans and take into our Profit & Loss account.

## **23. Resignation fees**

No resignation fees recognised in 2023.

## **24. Development fees**

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

**SPBD MICROFINANCE (SAMOA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**25. Money Transfer Operator (MTO)**

SPBD Samoa has re-launched operation activities of money transfer sealing a partnership with KlickEx. This partnership was signed by SPBD Microfinance (Samoa) Ltd President, Gregory Casagrande and Ben Kealy Chief Executive Officer of KlickEx on 8<sup>th</sup> June 2023. An online website was also set up by Klick Ex for remittances.

**26. Related party transactions**

Transformer Ventures (TVLLC) provides executive management services to SPBD Microfinance (Samoa) Ltd. The quarterly fees remain the same in 2023 amount of WST\$130,000 a total of WST\$520,000 for 4 quarters in 2023.

SPBD Microfinance Holdings (Singapore) Pte Ltd provides general administrative services to SPBD Microfinance (Samoa) Ltd. The amount chargeable per quarter remained at USD \$82,800 in 2023, totalling USD \$331,200 (equivalent to WST \$895,342) for the year. A total of WST \$435,218 was paid for the first two quarters (Q1 and Q2), while the fees for the third and fourth quarters, which were overdue, have been waived.

**a. Related party transaction:**

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
Transformative Ventures (TVLLC)	520,000	420,000	400,000
SPBD Microfinance (Holdings) Pte Ltd	460,124	889,856	813,460
<b>Total related party transaction</b>	<b>980,124</b>	<b>1,309,856</b>	<b>1,213,460</b>

**b. Intercompany Borrowings:**

	<b>31-Dec-23</b>	<b>Restatement 31-Dec-22</b>	<b>Restatement 31-Dec-21</b>
	<b>WST (\$)</b>	<b>WST (\$)</b>	<b>WST (\$)</b>
SPBD Microfinance (Holdings) Pte Ltd	3,762,093	2,723,919	2,329,963
<b>Total intercompany borrowings</b>	<b>3,762,093</b>	<b>2,723,919</b>	<b>2,329,963</b>

(a) The borrowing from SPBD Microfinance Holdings Pte. Ltd. was done in September and December 2023. Refer below for the loan detail:

<b>Date of borrowing</b>	<b>Amount</b>	<b>Interest rate</b>	<b>Due for repayment</b>
29 September 2023	USD\$300,000	9.5%	31 December 2024
22 December 2023	USD\$125,000	9.5%	31 December 2024
28 December 2023	USD\$100,000	9.5%	31 December 2024

**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.