DEVELOPMENT BANK OF SAMOA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

DEVELOPMENT BANK OF SAMOA
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to International Financial Reporting Standards and include amounts based on management's best estimates and judgments.

Management has established and maintained accounting and internal control systems that include written policies, procedures and a comprehensive internal audit program. These systems are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The financial statements have been reviewed and approved by the board of directors on the recommendation from management.

Our independent auditors (SU'A MA PAUGA & ASSOCIATES), having been appointed by the Government Controller and Auditor General, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.

Susana Laulu
CHIEF EXECUTIVE OFFICER

Dated at Apia this: 25 October 2019

The Directors present their report together with the financial statements of the Development Bank of Samoa ("the Bank") for the year ended 30 June 2019 as set out on the accompanying pages and the auditors' report thereon in accordance with the Public Finance Management Act 2001 and the Public Bodies and Accountability Act 2001.

Directors
The Directors of the Bank at the date of this report are:

Leasiosiofaasisina Oscar Malielegaoi	- Chairperson and Chief Executive Officer (MOF)
Tugaga Tevesi	-Member
Aiolupotea Sauimalae M. Chu Ling	-Member
Peseta Peter Tone	-Member
Seuamuli Sarona Ponifasio	-Member
Vui Sebastian Mariner	-Member
Leota Matamua Niko Ngau Chun	-Member

Principal Activity
The principal activity of the Development Bank of Samoa is to provide credit financing to enable sustainable economic and social inclusive development. The development financing and impact have been directed to agriculture and fishing, commercial including tourism, services, small businesses and inclusive development. There has been no change in the principal activity of the Bank during the year or any of the classes of business that it operates in.

State of Affairs
In the opinion of the directors:

(i) the accompanying Statement of Financial Performance, Statement of Changes in Capital and Reserves and Statement of Cash Flows are drawn up so as to give a true and fair view of the operations and results of the Bank for the year ended 30 June 2019.

(ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 30 June 2019.

Operating Results
The net loss for the year, before income tax is $683,215 (2018: net loss of $2,388,823).

Other information
The Bank serves as the development arm of Government to enable sustainable economic and social development through credit financing. The development projects the Bank lends to are high risk low return in which access to finance from other financial institutions is minimal or none. The financial impact of concessional facilities implemented has also significantly placed a challenge in maintaining financial sustainability over the years.

Signed on behalf of the board of directors in accordance with a resolution of the directors.

Dated at Apia this: 25 October 2019

CHAIRMAN **DIRECTOR**

Telephone: 27751
Fax: 24167
Email: info@audit.gov.ws
Website: www.audit.gov.ws

Please address all correspondences to the Controller and Auditor General

P.O Box 13
Apia, Samoa

AUDIT OFFICE

REPORT OF THE AUDIT OFFICE

TO THE GOVERNING BODY IN CHARGE OF GOVERNANCE – DEVELOPMENT BANK OF SAMOA

Audit Opinion
We have audited the accompanying Financial Statements of the Development Bank of Samoa which comprise the Statement of Financial Position as at 30 June 2019, the Statements of Financial Performance, Cash Flows and Changes in Capital and Reserves for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Su'a ma Pauga & Associates, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Tagaloa Fa'afouina Su'a.

In our opinion, the financial statements give a true and fair view of the financial position of the Development Bank of Samoa as at 30 June 2019, and of its financial performance, changes in equity and 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 Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of financial statements in Samoa, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Emphasis of Matter
Management has identified a material uncertainty that may cast significant doubt on the Banks ability to continue as a Going Concern, and accordingly disclosed in the financial statements. Based on our audit of the financial statements of the Bank, we also identify such material uncertainty. This uncertainty is disclosed in Note to the financial statements 29 and unless the Bank called on securities or government to intervene to cover above loans, the situation is bleak and cast doubt on ability of the Bank to continue as a going concern.

Responsibilities of Those Charged with Governance for the Financial Statements
Directors and Management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as directors and management determine 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, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Bank'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 International Standards on Auditing 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 these International Standards on Auditing, 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 Bank'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 the directors and 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 Bank's ability to continue as a going concern. If we conclude that 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 Bank 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 the Directors and Management regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our audit was completed on the 25th October 2019 and our opinion is expressed as at that date.

Apia, Samoa
25th October 2019

Jaslyn T. Mariner -Leota
ASSISTANT CONTROLLER AND AUDITOR GENERAL

DEVELOPMENT BANK OF SAMOA
Statement of Financial Performance
For the year ended 30 June 2019

	Notes	2019 $	2018 $
Income			
Income from loans:			
Interest		6,366,591	6,802,711
Loans processing fees		547,883	445,607
Other income	5	1,750,769	1,182,795
Total income		**8,665,243**	**8,431,113**
Expenses			
Administration expenses	6	1,552,558	1,560,898
Audit fees		56,000	51,710
Directors fees and costs	9(iv)	130,858	125,987
Interest on borrowings		2,443,273	3,156,926
Personnel costs	8	2,718,643	2,646,257
Provision for doubtful loans	13,16	1,100,000	1,000,000
Total expenses		**8,001,332**	**8,541,778**
Earnings before depreciation and tax		663,911	(110,665)
Depreciation	12	(1,418,124)	(1,420,209)
Earnings after depreciation		**(754,213)**	**(1,530,874)**
(Loss)/Gain on Foreign Conversion		70,998	(857,949)
(Loss)/Net Profit before tax		(683,215)	(2,388,823)
Income tax (expense)/ benefit	10 (i)	300,452	302,011
Dividend Paid		(17,830)	(17,830)
Net (loss)/Profit after income tax		**(400,593)**	**(2,104,642)**

The accompanying notes form an integral part of the above financial statement.

DEVELOPMENT BANK OF SAMOA
Statement of Financial Position
For the year ended 30 June 2019

	Notes	2019 $	2018 $
CAPITAL AND RESERVES			
Authorised and paid up capital	22	50,000,000	50,000,000
Government of Samoa reserve	23	20,453,041	18,501,440
Retained losses		(15,583,560)	(15,182,967)
TOTAL CAPITAL AND RESERVES		**54,869,481**	**53,318,473**
CURRENT ASSETS			
Cash and cash equivalents	14	4,623,252	6,550,316
Short Term deposits	15	5,000,000	72,438
Loans to customers	13	16,257,967	20,235,360
Other receivables and prepayments	16	273,815	302,725
Due from shareholders	18	129,085	168,387
Withholding tax	10 (v)	107,780	90,343
Total Current Assets		26,391,900	27,419,569
CURRENT LIABILITIES			
Other creditors and accruals	21	1,510,964	1,534,162
Current portion- Term Borrowings	19	11,699,520	11,809,130
Total Current Liabilities		13,210,484	13,343,292
WORKING CAPITAL		13,181,416	14,076,277
NON CURRENT ASSETS			
Equity investments	11	400,000	400,000
Loans to customers	13	108,803,321	111,775,362
Property and equipment	12	40,157,954	41,188,004
Land held for resale	17	524,462	627,095
Deferred tax assets	10 (iii)	4,225,117	3,924,665
Total assets		**154,110,854**	**157,915,126**
NON CURRENT LIABILITIES			
Term borrowings	19	106,298,420	110,676,920
Term liability to managed funds	20	6,124,369	7,996,010
Total liabilities		**112,422,789**	**118,672,930**
NET ASSETS		**54,869,481**	**53,318,473**

Signed on behalf of the Board:

CHAIRMAN
Dated: 25 October 2019

DIRECTOR
Dated: 25 October 2019

The accompanying notes form an integral part of the above Statement of Financial Position.

DEVELOPMENT BANK OF SAMOA
Statement of Changes in Capital and Reserves
For the year ended 30 June 2019

	Notes	Issued and paid up capital	Government of Samoa Reserve	Retained earnings /(losses)	Total
Balance as at 30 June 2017		50,000,000	16,660,389	(13,078,325)	53,582,064
Net loss after tax		-	-	(2,104,642)	(2,104,642)
Governments Contrubution to Micro Credit transfer to Equity	23		97,397		97,397
Transfer from long term liability to managed funds to Government of Samoa reserve	23	-	1,743,654	-	1,743,654
Balance as at 30 June 2018		**50,000,000**	**18,501,440**	**(15,182,967)**	**53,318,473**
Net loss after tax			-	(400,593)	(400,593)
Governments Contrubution to Guarantee fees Capitalised	23		79,960		79,960
Transfer from long term liability to managed funds to Government of Samoa reserve	23	-	1,871,641	-	1,871,641
Balance as at 30 June 2019		**50,000,000**	**20,453,041**	**(15,583,560)**	**54,869,481**

The accompanying notes form an integral part of the above financial statement.

DEVELOPMENT BANK OF SAMOA
Statement of Cash Flows
For the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Interest on loans		6,366,591	5,575,582
Service fees and other income		2,506,228	399,857
Interest on term deposits		80,055	52,384
Interest on borrowings		(2,393,677)	(3,173,356)
Cash paid to suppliers and employees		(6,047,765)	(3,856,723)
Witholding tax		(17,437)	(10,251)
Payments (to) Government of Samoa		(166,960)	(193,842)
Dividend Paid		(17,830)	(17,830)
Net cash inflow/(outflow) from operating activities		**309,205**	**(1,224,179)**
Cash flows from investing activities			
Loan principal collections		14,011,488	12,960,834
Proceeds from sale of property, plant & equipment		342,200	32,990
Dividend from Tropic Resort		-	32,000
Loan principal disbursements		(7,052,508)	(5,799,773)
Purchase of fixed assets	12	(388,073)	(109,582)
Net cash (outflow) from investing activities		**6,913,107**	**7,116,469**
Cash flows from financing activities			
Proceeds from long term borrowings		5,000,000	5,000,000
Repayment of long term borrowings		(9,221,814)	(10,667,545)
Net cash inflow from financing activities		**(4,221,814)**	**(5,667,545)**
Net change in cash and cash equivalents		3,000,498	224,745
Cash and cash equivalents at beginning of year		6,622,754	6,398,009
Cash and cash equivalents at end of year		**9,623,252**	**6,622,754**
Represented by;			
Cash and cash equivalents	14	4,623,252	6,550,316
Term deposits	15	5,000,000	72,438
		9,623,252	**6,622,754**

The accompanying notes form an integral part of the above financial statement

1. General information

The principal activity of the Development Bank of Samoa is to provide credit financing to enable sustainable economic and social inclusive development. The development financing and impact have been directed to agriculture and fishing, commercial including tourism, services, small businesses and inclusive development.

The Bank was established by the Development Bank Act 1974 repealed by the Development Bank Act 2010. It is governed by a seven member board of directors (the Board) chaired by the Chief Executive Officer of the Ministry of Finance. The Board comprised of representatives from the Private Sector appointed by Cabinet.

The Bank's main office is located on the 2nd and 6th Floors of the Development Bank Building, Savalalo and its postal address is P. O. Box 1232.

The Bank is designated as a public trading body under the Public Bodies and Accountability Act 2001. As a public beneficial body, the Bank is required to follow the requirements of the Public Finance Management Act 2001.

These financial statements were authorised for issue by the Board of Directors on 25th October 2019

2. Statement of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Management Act 2001 which requires the adoption of *International Financial Reporting Standards* issued by the International Accounting Standards Board (IASB).

b. Basis of preparation

The financial statements of the Development Bank of Samoa (" the Bank") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities. The financial statements are prepared in Samoan Tala (SAT).

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 financial statements are disclosed in Note 4.

Certain interpretations and amendments to existing standards have been published that became effective during the current financial period. The Bank has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

b. Basis of preparation (continued)

(a) New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact on the Bank.

(b) New standards and interpretations not yet adopted

IFRS 9, "Financial Instruments', The final version of IFRS 9 in July 2014 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics

A single an integrated standard which built upon forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. The standard is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application.

The Bank is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 July 2020. The Bank will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

c. Functional and presentation currency

Items included in the financial statements of the Bank 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 (SAT).

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 significant exchange rates applied at the reporting date:

	Reporting date rate	
	2019	**2018**
Euro	3.1230	3.2042
USD	2.6911	2.6560

Financial assets

e. The Bank classifies its financial assets in the following categories; loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Bank's loans and receivables comprise 'Loans to customers', 'Cash on hand and at banks' and 'Term deposits'.

f. Revenue recognition

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.

g. Dividend income

Dividend revenue from equity investments is recognised when the shareholders' rights to receive payment have been established.

h. Loans

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

Policies adopted in classifying loans
Each customer account is graded individually using established guidelines. Critical factors include collectIbility of all principal and interest based on the contractual agreement and the security offered by the borrower.

Impaired assets
The Bank has disclosed components of its loan portfolio that have been classified as impaired assets. The following broad categories have been used in classifying impaired assets:

- Non-accrual loans
  A loan is classified as non-accrual if there is reasonable doubt over the ultimate recoverability of the principal or interest based on the contractual agreement. Non-accrual loans are those where interest and fees receivable, are not realised in the income statement but are recognised only when received.

- Past due loans
  Facilities that are classified under past due are loans that are more than 30 days in arrears but which are not non-accrual.

i. Impairment of loans

Loan accounts are reviewed throughout the year to assess the provision for bad and doubtful loan requirements. The collectability of loans and advances is assessed and specific provision is made for any doubtful accounts.

The determination of the amount of specific provision is based on many factors including credit evaluation of the borrowers, value of security and collateral held, current economic conditions and past experience.

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.

Specific provisions
Specific provision is maintained to cover identified doubtful debts. All known bad debts are written off in the year in which they are identified. The specific provision requirement (representing new and increased specific provisions less specific releases) is transferred from the general provision to the specific provision.

Recoveries, representing excess transfers to the specific provision, are credited to the general provision.

General Provision
The annual charge against profits for bad and doubtful debts reflects new general provisions.
General Provision is maintained on all loans based on the general assessment of the loan portfolio and is calculated annually. The general provision is based on a percentage and is reviewed on a yearly basis.

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.

j. Impairment of equity investment

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the assets are impaired.

k. Property and equipment

Multi-use property
The Development Bank Building is comprised of six floors of which one and a half floors are occupied by the Bank for the delivery of their financial services and administrative purposes. The other floors are rented out as operating leases to tenants. For the purposes of accounting policy and treatment this building is referred to as a multi-use property as an insignificant portion of the property is held for use by the Bank in the delivery of its financial services and for administrative purposes.

The building is initially measured at cost, including transaction costs and continues to be measured at cost and revaluation less any subsequent accumulated depreciation and accumulated impairment losses until disposal.

All property (land and buildings) valuations when undertaken shall be by independent registered valuers. Fair value is based on appropriate market evidence using earnings capitalisation, discounted cash flow analysis, comparable sales transactions or a combination of these methods. The valuations are adjusted if necessary, for any difference in the nature, location or condition of the asset. Revaluations are performed every 3 to 5 years.

When a revaluation increases the carrying value of a property, the increase is recognised directly in the property valuation reserve.

All other property, plant and equipment
All other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of the day to day servicing of the property, plant and equipment are recognised in profit and loss as incurred.

Depreciation
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. Land is not depreciated. The rates at which depreciation is charged are as follows:

• Building on freehold land	50 years
• Building – offsite centre	20 years
• In built building equipment	20 years
• Office furniture and equipment	
Office furniture and equipment	20 %
Office machines and safe	20 %
Computer development	20 %
Computers	20 %
Radio telephone equipment	20 %
• Motor vehicles	20 %

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains in the income statement.

l. Land held for resale

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of the Bank's carrying amount of fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs of significant property improvements are capitalised, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalised. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. They are classified as non-current assets until the Board has approved a sale of selected properties at which time they are classified into current assets.

m. Equity investments

Equity investments in companies that are not subsidiaries or associates are carried at the lower of cost and net realisable value.

n. Leases

Bank as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Bank as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o. 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.

p. Value added goods and services tax (VAGST)

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

q. 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.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which unused tax losses and credits can be utilised.

r. Provisions

A provision is recognised in the balance sheet when the Bank has a present legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

s. Accounts payable

Accounts payables are recognised when the Bank 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.

t. Employee benefits

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

Liabilities for annual leave is accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present obligation or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

u. Borrowings

Loans payable are recognised initially at fair value, net of transaction costs incurred. Loans payable are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

v. Comparatives

Where necessary previous periods comparatives have been changed to conform to the presentation of financial information for the current year.

3. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators of the Central Bank of Samoa;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, based on the guidelines implemented by the Central Bank of Samoa (the Regulator), for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires the bank to: (a) hold the minimum level of the regulatory capital of 12.5%, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the minimum of 25%.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 30 June 2019 and 30 June 2018. During those years, the Bank has complied with all of the externally imposed capital requirements.

	2019	**2018**
	$'000	$'000
Tier 1 Capital	53,856	52,612
Tier 2 Capital	8,377	10,337
Risk Weighted Assets	180,220	187,279
Calculated Ratios:		
Tier 1 capital	30%	28%
Tier 2 capital	5%	6%

4. Critical accounting estimates and judgments

The Bank 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 and advances

The Bank 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 Bank 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) Impairment of available for-sale equity investments
The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Income taxes
Deferred tax assets and liabilities have been offset in accordance with IAS 12 Income Taxes. Deferred tax has been calculated on the assumption that there will be no change in tax law or circumstances of the Bank that will result in tax losses not being available to the Bank in the future.

5. Other income

Details of other income are specified as follows:

	2019		2018
	$		$
Interest on term deposit	80,055		52,384
Bad debts recover	26,822		13,470
Interest on equity investment	32,000		32,000
Rent income	1,022,171		933,068
Gain on Foreign Exchange	257,788		66,613
Other income	331,933		85,260
	1,750,769		1,182,795

Rent income earned from tenants on the DBS building for the year was $1,022,171 (2018: $933,068). Not included is rental and electricity income of $444,973(2018:$444,973) and $257,386(2018: $266,378) from the Development Bank of Samoa offices that also occupy the DBS building. Therefore total rental income from a budgetary and internal management perspective equates to $1,724,530 (2018:$1,644,416).

6. Administration expenses

Details of administration expenses are specified as follows:

	2019	2018
	$	$
Advertising and promotion	98,401	81,228
Computer and internet cost	129,926	94,968
Guarantee fees to Government	216,373	246,919
Insurance	203,864	207,673
Interest on savings	33	11
Staff development	30,430	24,243
Printing and stationeries	17,979	41,891
Rent for Savaii Office	13,800	13,800
Repairs & maintenance	115,814	114,670
Travel local	85,700	84,589
Travel overseas	41,993	31,414
Vehicle repairs & maintenance	95,549	67,600
Vehicle running cost	43,135	40,011
Other administration expenses	459,561	511,881
Total administration expenses	**1,552,558**	**1,560,898**

Rent paid for the year was $444,973 (2018: $444,973) and electricity expense of $257,386 (2018: $266,378) for the Development Bank of Samoa offices that occupy the DBS building. Therefore total rental expense from a budgetary and internal management perspective equates to $702,359 (2018:$711,351).

7. Operating lease commitments

The total lease payments under operating lease rentals are payable as follows:

	2019	2018
	$	$
Less than 1 year	13,800	13,350
	13,800	13,350

The Bank's office space for Savaii is on operating lease arrangement with Samoa Land Corporation since May 2016.

8. Personnel costs

Details of personnel costs are specified as follows:

	2019	2018
	$	$
Gross salaries and wages	2,463,034	2,408,968
Long service leave entitlements	54,229	30,301
Accident Compensation Levy	25,172	25,873
National Provident Fund	176,208	181,114
Total personnel costs	**2,718,643**	**2,646,257**

The average number of persons employed including part-timers during the year is 84 (2018: 84).

Long service leave entitlements relate to staff who have reached certain years of service in accordance with the provisions of the Staff Instructions.

9. Directors, Audit Committee and executive management compensation

i. *Directors*

The Directors of the Bank during the financial period comprise of:

Leasiosiofaasisina Oscar Malielegaoi	-	Chairperson and CEO, Ministry of Finance
Tugaga Tevesi	-	Member
Aiolupotea Sauimalae M Chu Ling	-	Member
Peseta Peter Tone	-	Member
Seuamuli Sarona Ponifasio	-	Member
Vui Sebastian Mariner	-	Member
Leota Matamua Niko Ngau Chung	-	Member

The new directors fees approved per FK (15)31 is $22,000 for the Chairperson and $18,000 for directors. The Chairman is not entitled to this remuneration. The Board held twelve meetings during the year inclusive of one special meeting.

ii. *Audit Committee*

The Audit Committee during the financial period comprise of:

Peseta Peter Tone	-	Chairperson
Tugaga Tevesi	-	Member
Leota M Niko Ngau Chun	-	Member

The Committee held five meetings during the year.

iii. *Risk Management Committee*

The Risk Management Committee during the financial period comprise of:

Seuamuli Sarona Ponifasio	-	Chairperson
Vui Sebastian Mariner	-	Member
Aiolupotea Sauimalae M Chu Ling	-	Member

The Committee held five meetings during the year.

iv. *Board costs*

Board of Directors expenses are as follows:

	2019 $	2018 $
Directors fees	108,000	108,000
Membership fees	6,000	6,000
Meeting expenses	6,858	10,567
Other cost	10,000	1,420
Total Board of Directors expenses	**130,858**	**125,987**

v. *Key management personnel costs*

Details of the remuneration of key members of management during the year were as follows:

	2019 $	2018 $
Salaries and short-term employment benefits	849,541	790,364
Employers contribution to:		
National provident fund	59,468	55,326
Accident compensation commission	8,495	7,903
Total key management personnel costs	**917,504**	**853,593**

10. Income tax

(i) Major components of income tax (expense)/benefit

	2019 $	2018 $
Current income tax (expense)/benefit	477,765	893,432
Current income tax benefit not recognised	(477,765)	(893,432)
Deferred tax expense/(income) on origination	-	-
and reversal of temporary differences	300,452	302,011
Recognition of deferred tax balances	-	-
Income tax (expense)/benefit recgonised	300,452	302,011

(ii) Reconciliation between accounting profit/(loss) and income tax (expense)/ benefit

	2019 $	2018 $
Net (Loss)/Profit	(656,715)	(2,386,098)
Prima facie income tax benefit at 27%	(177,313)	(644,246)
Income tax benefit not recognised	477,765	946,257
Income tax (expense)/benefit not recognised	300,452	302,011

(iii) Movement in net deferred tax assets is as follows

Temporary differences	Opening balance $	Charged to income/additions $	Closing balance $
Property, plant and equipment	(276,868)	32,227	(244,641)
Provision for doubtful debts	4,389,107	27,000	4,416,107
Provision for annual leave	31,336	(9,591)	21,745
Unrealised Gain on currency translation	334,599	250,816	585,415
Current year deferred tax asset on loss	(527,131)		(527,131)
Income Tax on Profit	(26,378)	-	(26,378)
Net deferred tax assets	3,924,665	300,452	4,225,117

(iv) Deferred tax assets on net losses not recognised

The movement in unrecognised deferred tax assets is as follows:

	2019 $	2018 $
Opening balance of unrecognised tax losses	6,767,926	5,821,669
Unrecognised Tax on Loss	477,765	946,257
Closing balance of unrecognised tax losses	7,245,691	6,767,926

(v) Income tax credit (from withholding tax on interest income)

	2019 $	2018 $
Balance brought forward	90,343	80,092
Withholding tax for the year	17,437	10,251
Balance carried forward	107,780	90,343

11. Equity investments

Details of equity investments are specified as follows:

	2019 $	2018 $
Tropic Resort Ltd (15% preference shares)	400,000	400,000
Total equity investments	**400,000**	**400,000**

It is the considered view of the Directors that the equity investment is not impaired. There was an option in the contract for the owner to buy back shares if the contract expires. In 2013, the Tropic Resort agreed to buy back the preference share at the cost of $520,000 but the Directors requested continuation of the investment. No formal agreement has been signed to effect the continuation and the investment remains valid. Dividend received at 8% of investment continues.

12. Property and equipment

Details of property and equipment are specified as follows:

	Land & buildings	Office Fixtures & Fittings	Office Furniture & equipment	Motor vehicles	Total
Gross carrying amount					
Balance as at 1 July 2017	51,073,230	262,509	5,679,956	852,849	57,868,544
Additions		-	16,582	93,000	109,582
Internal transfers to/(from)	-		-	-	-
Disposals	-	-	(6,289)	(68,350)	(74,639)
Balance as at 30 June 2018	51,073,230	262,509	5,690,249	877,499	57,903,487
Additions	740	-	163,333	224,000	388,073
Internal transfers to/(from)	-	-	-	-	0
Disposals	-	-	(237,681)	(75,000)	(312,681)
Balance as at 30 June 2019	51,073,970	262,509	5,615,901	1,026,499	57,978,879
Accumulated depreciation					
Opening balance 1 July 2017	10,128,067	147,636	4,461,508	632,703	15,369,914
Disposals	-		(6,289)	(68,350)	(74,639)
Internal transfers to/(from)	-	-	-	-	-
Depreciation charge for the year	1,013,368	52,500	278,190	76,150	1,420,209
Balance as at 30 June 2018	11,141,435	200,136	4,733,409	640,503	16,715,484
Disposals			(237,682)	(75,000)	(312,682)
Internal treansfer					
Depreciation charge for the year	1,013,368	39,374	268,782	96,600	1,418,124
Balance as at 30 June 2019	12,154,803	239,510	4,764,509	662,103	17,820,926
Net carrying amount 30 June 2018	39,931,795	62,373	956,840	236,996	41,188,004
Net carrying amount 30 June 2019	38,919,167	22,999	851,392	364,396	40,157,954

13. Loans to customers

Gross loans analysis

	2019 $	2018 $
Gross loans	145,037,560	151,542,552
Less: Specific provision	(8,177,870)	(8,177,870)
: General provision	(9,446,298)	(9,386,032)
: Interest & fees suspended	(2,352,105)	(1,967,928)
Total Loans	**125,061,288**	**132,010,722**
Non current portion of loans	108,803,321	111,775,362
Current portion of loans	16,257,967	20,235,360
	125,061,288	**132,010,722**

Provision for doubtful loans analysis

	2019 $	2018 $
Specific provision		
Balance at the beginning of the year	8,177,869	8,177,869
	8,177,869	8,177,869
General provision		
Balance at the beginning of the year	9,386,032	8,449,751
Charge to income statement	1,100,000	1,000,000
Write off as bad debts against provision	(1,039,734)	(63,719)
	9,446,298	9,386,032
Interest Suspended		
Opening balance	1,967,929	1,417,934
Additional Interest suspended	3,028,274	2,491,599
Recovered	(2,644,098)	(1,941,604)
	2,352,105	1,967,929
Total provision for doubtful debts	19,976,272	19,531,830

13. Loans to customers (continued)

Impaired and past due assets analysis

Non accrual loans with specific provision for impairment	2019 $	2019 $
Gross	24,738,829	19,847,336
Less suspended interest	(1,622,431)	(1,941,604)
	23,116,398	17,905,732
less specific provision	(5,672,998)	(7,763,705)
	17,443,400	10,142,027

Past due loans	2019 $	2018 $
Gross	13,224,417	6,576,639
less suspended interest	(1,662,431)	(1,942,604)
	11,561,986	4,634,035

14. Cash and cash equivalents

Details of cash and cash at bank are as follows:

	2019 **$**	2018 **$**
Cash at banks	4,622,652	6,549,686
Petty cash	600	630
Total cash at bank	**4,623,252**	**6,550,316**

15. Short Term deposits

Details of term deposit are specified as follows:

	2019 **$**	2018 **$**
Term deposits	5,000,000	72,438

16. Other receivables and prepayments

Details of other receivables and prepayments are specified as follows:

	2019	2018
	$	$
Dividend- Tropic Resort	96,000	64,000
Prepayments	151,484	147,218
Tenants rent and power	4,835	61,734
Other debtors and accruals	21,496	46,398
Provision for doubtful debts	-	(16,625)
	273,815	**302,725**

17. Land held for resale

The list below summarises the land owned by the Bank in lieu of foreclosed loans. These are not included as part of the Bank's property, plant and equipment but disclosed separately.

	2019	2018
	$	$
Opening Balance	627,095	873368
Land sold	(102,633)	(246,273)
Land	524,462	627,095

18. Due from shareholder

Details of due from shareholder are specified as follows:

	2019	2018
	$	$
Opening Balance	168,387	102,497
Received from MOF	(102,497)	-
Exchange difference arising under the EEC loan	63,195	65,890
Total due from Government at year end	**129,085**	**168,387**

The Government of Samoa has agreed to take the exchange risk arising from the European Economic Community Loan.

19. Long term borrowings

The Borrowings arranged by the Government of Samoa are payable in Samoan tala and therefore no exchange risk arises. The borrowings from the European Economic Community are payable in European Currency unit, and the Government of Samoa is responsible for the exchange risk due to exchange fluctuations(refer Note 18). Where certain covenants of the Asian Development Bank loans have not been complied with, maturity dates for repayment could be accelerated. The Development

Bank of Samoa has complied as at 30 June 2019 with these covenants. Interests on borrowings for the year amounted to $2,443,273. (2018:$3,156,926).

	Current $	Term $	2019 Total $	2018 Total $	Interest rate per annum
IDA 15820	458,189	2,080,512	2,538,701	2,597,890	6%
EEC	-	-	-	109,610	1%
EIB GL VI	2,196,182	3,786,184	5,982,366	8,373,400	5.5%
EIB GL VII	927,260	4,357,986	5,285,246	6,157,728	3.9%
NPF 2	902,469	14,525,361	15,427,830	16,695,899	4%
CBS 2	374,563	677,453	1,052,016	1,438,220	3%
CBS 3	615,966	1,056,784	1,672,750	2,307,327	3%
CBS 4 TC Evan	2,765,369	27,767,814	30,533,183	32,034,771	1%
CBS 5 SIDS/CYG	1,836,357	21,932,649	23,769,006	24,966,769	2%
CBS 6	573,178	7,572,895	8,146,073	8,736,686	3%
CBS 7	792,932	12,842,281	13,635,213	14,067,750	3%
CBS 8	257,055	9,698,501	9,955,556	5,000,000	3%
TOTAL	**11,699,520**	**106,298,420**	**117,997,940**	**122,486,050**	

Terms and conditions and principal repayment terms

IDA 15820: Repayment schedule is flexible to allow the Bank to manage its cash flow position.

EEC: Repayment amount is $65,274tala bi-annual and was paid off in May 2019

EIB GL VI: Repayment amount approximated at $2.6million tala per annum with maturity in 2021

EIB GL VII: Repayment amount approximated at $1.3million per annum with maturity in 2026.

NPF: Monthly repayment of $154,000. Term is 22 years.

CBS 2: Repayment of $35,318 per month. Term is 5 + 5 years

CBS 3: Repayment per month of $57,936. Term is 5 +5 years

CBS T/C EVAN: Monthly repayments of $276,436. Term of 15 years

CBS SIDS/CYG: Monthly Repayment of $204,748 per month. Term of 15 years

CBS 6: Monthly repayment of $71,310. Term of 15 years

CBS 7: Monthly repayment of $107,366. Term of 15 years

CBS 8: Monthly repayment of $34,788. Term of 15 years

Covenants with the European Investment Bank loans (EIB)

The covenants with the EIB loan are as follows:

- Total capital to total assets ratio shall be above 25% (note that total assets in the calculation includes the provision for doubtful debts).
- Non-performing loans to total loans portfolio shall not exceed 10%
- Provision for loan losses to non-performing loan portfolio shall not be less than 90%
- Liquidity ratio shall not be less than 1.2:1

As of 30 June 2019, the Bank has complied with all of the four covenants as prescribed in the terms and conditions of the loans as follows;

- Total capital to assets is 30% (2018: 31%)-complied
- Non-Performing Loans to total loans is 9% (2018: 4%)-complied
- Provision for loan losses to non-performing loans is 151% (2018: 297%)-complied
- Liquidity ratio is 2:1 (2018 1.8:1)-complied

20. Long term liability to managed funds

	2019 $	2018 $
Loan with UTOS	6,124,369	7,996,010
Total managed funds	6,124,369	7,996,010
Opening balance	7,996,010	9,739,664
Transferred to capital and reserves	(1,871,641)	(1,743,654)
Long term liability	**6,124,369**	**7,996,010**

In July 2009, Government approved and took over the commitment to pay for the Bank's loan with ANZ Bank. On 18 June 2010, the Ministry of Finance approved the reclassification of this loan from borrowings to managed funds under term liabilities. On 14 March 2012, Cabinet approved for UTOS to refinance the loan and Government will pay. The term is 13 years at 7.5% with monthly repayments of $200,000.

At 30 June 2019, $2,400,000 has been paid to loan repayments and interest expense totalled $528,359. The net contribution by Government of $1,871,641 has been transferred to Government reserves per Note 23.

21. Other creditors and accruals

Details of other creditors and accruals are specified as follows:

	2019 $	2018 $
Provision for long service leave and annual leave	82,723	118,246
Portfolio credits	20,092	12,074
Accrued interest on borrowings	408,150	358,554
Savings on micro credit scheme	2,998	512
Guarantee fees	216,373	246,919
Other creditors and accruals	664,782	726,601
Provision for Audit fee	65,248	55,548
VAGST	50,598	15,708
Total other creditors and accruals	1,510,964	1,534,162

Savings represent interest of 1.75% credited to savings accounts under the micro credit scheme.

22. Authorised and paid-up capital

Details of authorised and paid-up capital are specified as follows:

	2019 $	2018 $
Authorised capital 30,000,000 ordinary shares @ $1 par value each	30,000,000	30,000,000
Issued and Paid Up Capital	30,000,000	30,000,000
Transfer from Reserves	20,000,000	20,000,000
Issued and paid up capital end of financial year	**50,000,000**	**50,000,000**

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

Cabinet approved increase of Government authorised capital to a maximum of $80million to ensure fund disburse for development projects are in line with the Development Bank of Samoa Act 2010.

23. Government of Samoa Reserve

Details of Government of Samoa reserve fund are specified as follows:

	2019 $	2018 $
Opening balance	18,501,440	16,660,388
Add: Transfer from Managed Funds (Note 20)	1,871,641	1,743,654
Add: Guarantee fee capitalised	79,960	97,398
Closing balance	**20,453,041**	**18,501,440**

24. Maturity analysis

The following analysis of monetary assets and liabilities is based on contractual terms.

	At Call	1 day to 3 months	Over 3 months to a year	Over 1 year to 5 years	Over 5 years	Total
2019						
Cash	4,623,252					4,623,252
Term deposits	5,000,000					5,000,000
Loans	2,137,100	4,913,966	10,195,151	54,222,357	73,568,986	145,037,560
Borrowings	-	(4,826,365)	(10,479,094)	(53,663,969)	(49,028,512)	(117,997,940)
Total	11,760,352	87,601	(283,943)	558,388	24,540,474	36,662,872
2018						
Cash	6,550,316	-	-	-	-	6,550,316
Term deposits	72,438		-	-	-	72,438
Loans	1,073,962	2,995,727	11,392,552	49,183,567	86,896,744	151,542,552
Borrowings	-	(4,302,219)	(8,173,897)	(48,171,165)	(61,838,769)	(122,486,050)
Total	7,696,716	(1,306,492)	3,218,655	1,012,402	25,057,975	35,679,256

25. Risk management policies

This section outlines the Bank's exposure to financial risks and describes the methods used by management to control and monitor these risks. The primary risks are those of credit risk, liquidity risk and market risk of interest rate and foreign exchange risk.

Credit risk

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the Bank. The Bank's primary exposure to credit risk arises from its lending activities and or in issues of guarantees.

The Bank has strict policy guidelines in dealing with credit worthy customers and obtaining sufficient collateral security to mitigate the risk of financial loss. Credit risk is closely monitored by the Lending Division and Internal Audit through regular independent reviews designed to test quality of credit exposures and to ensure compliance with Bank policies. These reviews are administered by the Audit Committee. The enactment of the Development Bank of Samoa Act 2010 enables formation of the Risk Management Committee which plays an active role of reviewing credit risk.

Credit risk concentrations

The Bank lends to various development sectors. The concentration of credit risk in relation to these development sectors is set out below:

	2019	2018
	$	$
Agriculture	10,968,736	11,096,857
Fishing	3,350,652	3,418,151
Inclusive Development	5,228,517	6,971,607
Industry Other business and services	29,376,248	30,748,990
Industry Tourism	95,533,957	98,513,331
Staff	579,450	794,615
	145,037,560	151,543,551

Foreign exchange risk

Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange risk is mainly on sale of foreign currency relating to borrowings with the European International Bank (EIB). The level of exposure is monitored at maturities and market conditions.

Sensitivity analysis

The movement of Euro and USD by 5%, 10% or 15% against WST at 30 June 2019 would have affected the foreign exchange gain/ loss by the amounts as shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

	Carrying amounts	
	2019	**2018**
Euro	5,982,363	8,482,958
USD	5,285,245	6,157,728

	Effect on Income		
	5%	**10%**	**15%**
Euro strengthening	(299,188)	(598,236)	(897,354)
Euro weakening	299,188	598,236	897,354
USD strengthening	(264,262)	(528,524)	(792,786)
USD weakening	264,262	528,524	792,786

26. Capital commitments and contingent liabilities

The board has approved a capital budget of $1.8 million for the year ended 30 June 2019(2018: $440,000).

As of 30 June 2019, the Bank had no contingent liability or asset (2018: NIL)

27. Continued government support

The Bank plays a critical role in enabling developments to stimulate economic growth and to support key priorities under the SDS. The risk appetite of the Bank is indicative of the expectations by government and nature of the development banking. The concessional terms generate minimal margin to adequately sustain lending and debt obligations.

The Government as the shareholder has committed to support the Development Bank of Samoa and has pledged to underwrite its debt obligation should the Bank face financial difficulties. Further the government is working closely with the bank and the Asian Development Bank to review the operation to strengthen balance sheet and continuity of the bank.

28. Development Bank Act 2010

The Act was passed by Parliament and came into effect before 30 June 2010.The additional disclosure requirements under the new Act have been included in the accounts for 30 June 2019.

29. Going Concern

Management is aware of material uncertainties related to events or conditions that may impact the bank's ability to continue as a going concern. The events or conditions requiring disclosure may arise during and after the reporting period. This uncertainty represents 21% of the loan portfolio that are not generating the expected repayments to cover long term liabilities. The bank's action to manage these uncertainties continues to ensure potential loss is maintained at minimum level.

The government as the shareholder recognised the implication of these uncertainties and has committed funding to support the bank's operation. Further the government is working closely with the bank and the Asian Development Bank to review the operation to strengthen balance sheet and continuity of the bank as stated in Note 27.