DEVELOPMENT BANK OF SAMOA

ANNUAL REPORT 2020

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1. STATEMENT TO PARLIAMENT

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Government of Samoa

OFFICE OF THE MINISTER OF FINANCE

(Ministry of Finance; Central Bank of Samoa; Development Bank of Samoa; Samoa International Finance Authority; Samoa Life Assurance Corporation; Samoa National Provident Fund; Unit Trust of Samoa)

STATEMENT TO PARLIAMENT

5 November 2020

The Honourable Speaker
Legislative Assembly of Samoa
MULINUU

Afioga e,

Pursuant to Section 26 of the Development Bank of Samoa Act 2010, I present to the Legislative Assembly of Samoa the Development Bank of Samoa, Annual Report for the year ended 30 June 2020.

The Annual Report 2020 is submitted in accordance with Section 23 of the Public Bodies (Performance & Accountability) Act 2001.

Ma le faa'aloalo tele,

Sili Epa Tuioti

Minister of Finance

2. ABOUT THE DEVELOPMENT BANK OF SAMOA

Our Mandate:

"To promote the expansion of the economy of Samoa for the economic and social advancement of the people of Samoa" by undertaking the following functions:

I. Provide loans and giving financial, technical and advisory assistance to any business at micro, small, medium (MSMEs) and large commercial businesses, in accordance with the policies approved by the Board;
II. Forming partnerships with the public and private sectors as well as communities to advance access to finance for economic and social development.

Our Vision:

"To be the Development Financing Institution that enables sustainable socio-economic development for Samoa"

Our Mission:

"We provide affordable credit financing services to support sustainable development for Samoa"

Our Values:

I. Integrity
II. Objectivity
III. Due care and diligence
IV. Professionalism
V. Independence
VI. Transparency
VII. Accountability

3. REPORT BY THE CHAIRMAN

On behalf of the Board of Directors, I am pleased to report on the financial performance of the Development Bank of Samoa for the year ended 30 June 2020.

The year under review will go on record as one of the most challenging year for the Bank, on the back of two Health crisis - the measles outbreak in late 2019 and now the global pandemic in 2020, "Covid19". The financial impact of Covid19 has been felt by all businesses that are clients of the DBS, in particular the tourism sector that accounts for 67% of the loan portfolio. The Bank's significant exposure to the tourism sector and the effects of SOE restrictions is reflected in the lending and performance outcomes for the year.

New approved loans of 358 in number and valued at $6.8million are consistent with the budget. However, total new loans declined when compared to FY2019 by 32% in number and 22% by value. The stimulus package received from Government of $2million to cover interest relief and rent for private tenants over three months, provided short-term funding cover for shortfalls in revenues for the said period.

Despite the challenges of Covid19, DBS recorded a surplus of $1.1million from operation compared to budgeted loss of $1.1million and surplus of $664K in the previous FY2019. The overall loss before tax of $444K for the year was an improvement when compared to budgeted loss of $2.6million and last FY2019 loss of $683K.

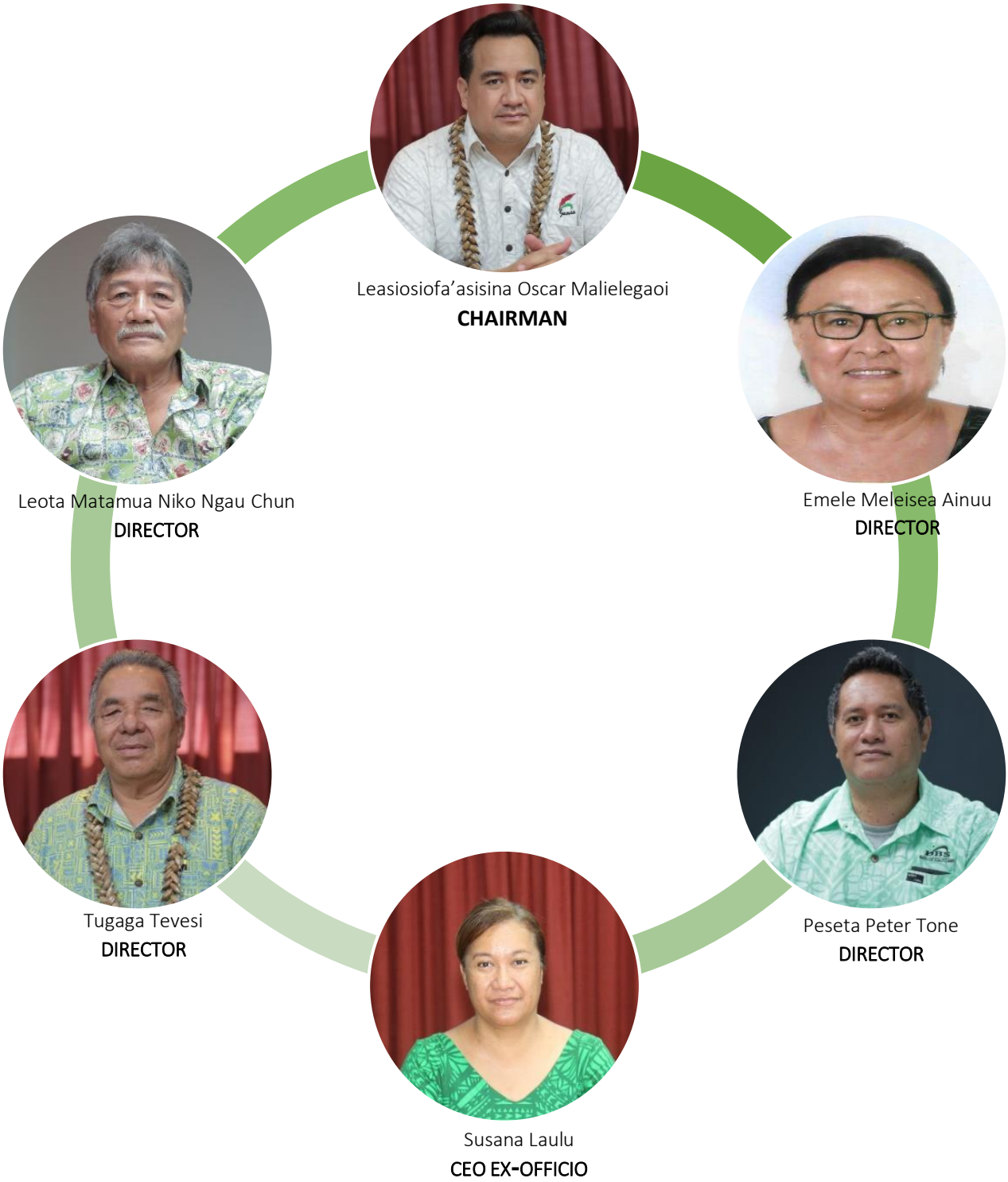
The prolonged period to realise non-performing loans and the uncertainty of Covid19 will continue to challenge the Institution's financial sustainability. The DBS however remains steadfast that appropriate measures are in place to effectively manage and sustain operation into the next twelve months. The Government has also given its assurance to support the Bank's operations through future capital injection.

Navigating the road ahead is difficult and challenging. However, I am convinced that the Bank is taking the right approach towards strengthening the resilience of its operations in the coming years.

I commend the Directors for their contribution and support, and applaud Management and Staff for the hard work and commitment through these challenging times to deliver the outcomes of FY2020.

Leasiosiofa'asisina Oscar Malielegaoi
CHAIRMAN

4. BOARD OF DIRECTORS



The Board held 11 monthly meetings and three special meetings during the year

- The Audit Committee held five meetings
- The Risk Management Committee held two meetings

5. REPORT BY THE CHIEF EXECUTIVE OFFICER

I am pleased to present this report about the operation and financial performance of the Development Bank of Samoa for the year ended 30 June 2020.

On the outset, the DBS continues to serve its mandate to support Government's development agenda through alignment of the financing assistance to priorities set out in the Strategy for the Development of Samoa 2017-2020 and the DBS development programs.

OVERVIEW OF LENDING OPERATION

I. Loan Portfolio

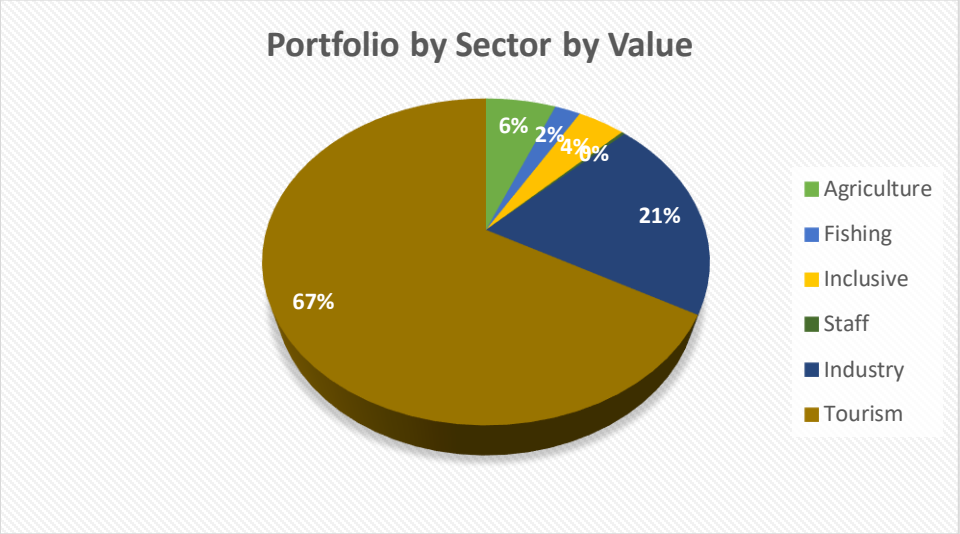
The loan book at end of June was recorded at $141M and has remained constant to FY2019. The static growth is due to combination of new loans, loan settlements and advance repayment. Moreover, new approvals are mainly for micro and small loans. The measles outbreak and Covid19 halted the lending temporarily during the preventative measures and the State of Emergency periods. Moreover, Covid19 adverse impact on tourism saw a significant reduction in income source of this sector which holds 67% of the loan portfolio. The experience has been shared by our clients in the hospitality industry that relied on tourism activity for income. It is expected that this downturn will continue to the next 12 months. The minimal demand for large projects has contributed to the negative growth experienced since FY2017. This trend will continue as over 90% of the pipeline is for micro and small loans.

Table 1:

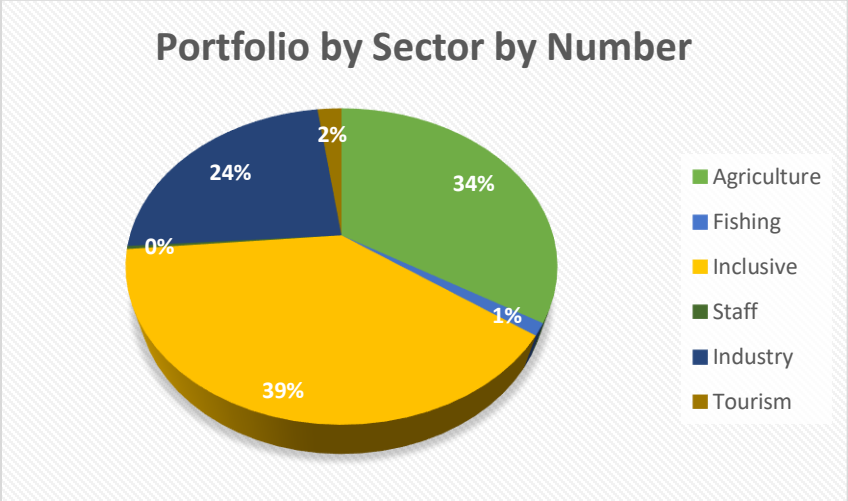
Details	**FY2020**	**FY2019**
Total loan portfolio	141,275	145,037
▪ Developments	140,870	144,458
▪ Non developments	405	579
Number of accounts	2256	2697
Portfolio movement	(2.5%)	(4%)

The loan portfolio is 98% by number and 22% by value to MSMEs. Tourism holds 67% by value and 2% by number. The sector representation is shown in the following graphs.

Graph 1:



Graph 2:

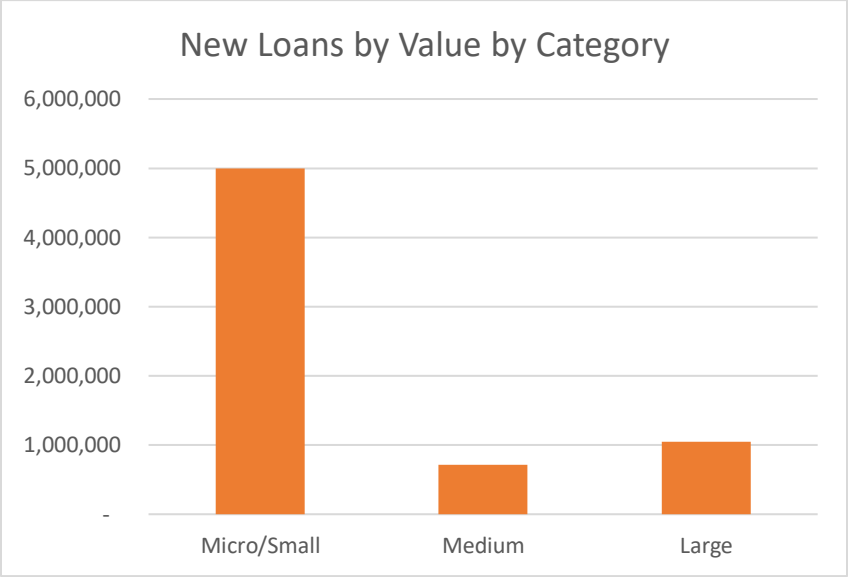


II. New loans:

Total loans approved by number is 358 valued at $6.8M. Total approval remains constant with the budget of $6.6M and decreased by 23% to FY2019. Over 97% of the number and value is for micro and small loans. This trend is consistent with FY2019 where micro and small loans accounts for 97% by number and 72% by value for total approval. The pipeline is mainly for micro and small loans as the financial inclusion pilot progresses to Tier 2 level. Despite the negative effects of the measles and Covid19, new loans continues to be facilitated in accordance to cash flow and

will continue to the new financial year. Given the uncertainty of Covid19, it is expected that no new debt will be sought for the FY2021.

Graph 3:



III. Loan Repayment Collection

Loan repayment collected totalled $18.6M recording an increase of 9% compared to budget. Included in this collection is the Government's Covid19 interest relief stimulus package of $1.7M which benefits 2290 clients for the three months of April, May and June 2020. MSMEs contributed 62% of total collection from a portfolio of $23M compared to large businesses.

Since the commencement of the Covid19 SOE, loan repayment received from large businesses in tourism has decreased significantly and will continue to do so. The focus to build up MSMEs portfolio becomes more critical considering the contribution to cash flow and potential to expand economic growth. The extension of the women and youth and the agriculture value chain finance pilots will boost development and loan book growth. At the same time, attention to risk and prudent financing decisions is essential to maintain a good performing MSMEs sector. Government has urged our people to work the land especially those who have lost employment. New projects to grow agriculture and fishing will commence in FY2021. The priority will continue with MSMEs to increase development and access to finance for self-employment, income generation and food security.

OVERVIEW OF FINANCIAL PERFORMANCE

Table 2:

Income and Expenses	2020 Actual $000	2020 Budget $000	2019 Actual $000
Interest income	7,326	6,513	6,367
Other income	2,126	1,916	2,298
Total income	*9,452*	*8,429*	*8,665*
Interest expense	2,768	2,942	2,443
Provision for doubtful loans	1,120	1,120	1,100
Personnel	2,788	3,047	2,718
Other expenses	1,599	2,464	1,740
Total expenses	*8,275*	*9,573*	*8,001*
Surplus/(loss) before depreciation & foreign translation	1,177	(1,144)	664
Depreciation	(1,424)	(1,512)	(1,418)
Gain/(loss) on foreign translation	(197)	0	71
(Loss) before tax	*(444)*	*(2,656)*	*(683)*

- Increase in total income is due interest income realised from suspension of $1.6M and Government Stimulus Package interest relief of $1.7M for three months. Stimulus package also include rent for private tenants of $97K for three months. Also included is the stimulus package to cover loan repayment of $568K for clients under SBH.
- Total expenses increase is due to interest expense on borrowings. There has been no new debt sourced in the year.
- Surplus from operation is $1.1M compared to budget loss of $1.1M and FY2019 surplus of $664K.
- Loss before tax compared to budget and FY2019 has improved.
- The 7% ROE has not been achieved.

Covid19 and Impact to Financial Performance

The global impact of Covid19 has prompted global, regional and national governments to undertake preventative and precautionary action to combat and mitigate the risks to health and economies. Since the proclamation of the Covid19 State of Emergency on 24 March 2020, a lot has changed in the operation and income source of most businesses including the DBS. The loan book is concentrated in tourism at 67%. Most have closed operation, reduced labour force and finding alternative activities to generate income. Loan repayments have not been made and

request for relief assistance received have been considered on a case by case basis. The closure of some businesses have impacted our clients who have lost employment or depended on tourism for sale of goods and services. The closure of schools and inter island ferry travel in the early phase of the SOE also affected MSMEs in agriculture, food and culture goods. The loss of income to our clients has had significant financial impact to DBS as seen in the reduction to loan collection of 24%. The required cash flow to cover operation and debt servicing commitments has fell short. The Government's stimulus package for Covid19 of $2million provided the funding support to cover the shortfall. However, more work needs to be done to improve loan collection and loans management to mitigate risk of bad loans. The DBS sees MSMEs as the way forward to grow the loan book as their financing needs are manageable and fits with the DBS financing capacity.

Human Resource Development

The headcount at end of the year was 77 comprising of 61 for the main office and 16 for the Savaii office. By gender at 47% to women and 53% to men. The headcount has reduced compared to FY2019 due to migration, health, retirement, death and new jobs. Recruitment for vacant positions is pending and will be completed in July 2020.

In support of Government initiatives, the DBS deployed staff and management and vehicles to assist with the South Pacific Games in July 2019, the measles mass vaccination in December 2019 and to the NEOC's Covid19 repatriation and quarantine work. During the measles and Covid19, the changes issued by the Public Service Commission to enforce the SOE for staffing arrangements were implemented. Normal working conditions recommenced in May 2020.

Staff training programs especially in the last three months have been rescheduled and limited in accordance to the social distancing requirement and via zoom for the Savaii office. Some of the management have been able to participate in virtual training with our partners for lending and ICT. We place high value over our people by prioritising staff training and development not only to enhance capacity and skill sets but to better prepared to positively respond to the challenges impacting the DBS.

The staff have also been involved in social activities such as quarterly prayer service, sports day and health screening to strengthen morale, teambuilding, culture and wellness. The celebration of the Public Service Day was marked by divisional activities and awareness program.

KEY CHALLENGES AND OUTLOOK

The outlook reported by the Central Bank of Samoa, indicates that the domestic economy is likely to contract by 9% or less in the next twelve months. The global economic outlook remains highly fragile and uncertain due to risks associated with the second-wave of Covid19 experienced by major affected countries.

The uncertainty of Covid19 places the DBS in a challenging position due to high exposure in tourism sector. The NPLs is expected to increase as the SOE continues if hotel operators do not undertake other activities to generate income. The trend of contributors to the cash flow is leaning more to MSMEs which by number holds 98% and by value holds 16% of the loan portfolio. The outlook of the SOE is likely to continue in the next twelve months. Nevertheless, the DBS will continue the development lending with new projects in the pipeline to stimulate economic growth and social advancement.

The DBS has taken measures to assist clients with their requests on a case by case basis. The DBS is also mindful that the majority of these loans are already on concessional terms and that any further assistance will have adverse effect to its own risk exposure, loss of income and sustainability. The portfolio management requires strict monitoring to ensure the risks are mitigated and potential loss is adequately covered.

The ADB Finding Balance Study in 2019 highlighted key strategic areas the DBS should consider to strengthen their response to fulfil the financing needs of businesses. The risk factor needs to be prioritised considering the risk appetite of the projects and the highly concessional terms. The role of the DBS in promoting developments for economic growth and social enhancement will continue to remain relevant and important. In order for the DBS to achieve this, focus on strategy development, review of priorities and redevelopment of the lending model to fit with the current financing capacity and resources. MSMEs has been the driving contributor to cash flow during the year. The DBS will continue financing of MSMEs for growth, self-employment, income generation, food security and wellbeing. The Corporate Plan for the next four years will include key changes to strategic priorities and organisational structure to realign the DBS capacity and manpower to guide and support achievement of outcomes. The DBS will continue to work with government, financiers and development partners on appropriate strategies and relief assistance during this difficult period.

The years ahead will continue to be tough with Covid19 and challenge the resilience of the DBS to deliver its mandate. The work required to counter and manage these challenges have been incorporated in the Corporate Plan for the next four years to ensure the DBS remains financially able to offer financing assistance to enhance economic growth and social development for Samoa.

I wish to record my sincere thank you to the Chairman and members of the Board, for their support and contribution during the year. I also wish to record my sincere thank you and gratitude to the management and staff for their unwavering support and commitment to the outcomes we have achieved. God bless.

Ma le faa'aloalo tele,

Susana Laulu
CHIEF EXECUTIVE OFFICER

6. EXECUTIVE MANAGEMENT TEAM

STANDING: Seraphine Mataia **(Manager Corporate Services),** Luaia Esera Mauli **(Manager Internal Audit),** Li'o Mark Bartley **(Manager Management Information Systems),** Muaautau Raie Silipa **(Manager Finance),** Martha Papalii **(Manager Legal)**
SITTING: Migao Tiotio (**Manager Savaii Office),** Aiufi Kelekolio, **(Manager Loans Administration),** Susana Laulu **(Chief Executive Officer)** Goretti Godinet Fau **(Manager Loans Management)**

7. FINANCIAL STATEMENTS

DEVELOPMENT BANK OF SAMOA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 day, 5 November 2020.

DEVELOPMENT BANK OF SAMOA
Directors Report
For the year ended 30 June 2020

The Directors present their report together with the financial statements of the Development Bank of Samoa ("the Bank") for the year ended 30 June 2020 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:

Leasiosiofa'asisina Oscar Malielegaoi	- Chairperson and Chief Executive Officer (MOF)
Tugaga Tevesi	- Member
Peseta Peter Tone	- Member
Leota Matamua Niko Ngau Chun	- Member
Emele Meleisea Ainuu	- Member
Susana Laulu	- CEO Ex-officio

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 2020.
(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 2020.

Operating Results
The net loss for the year, before income tax is $444,559 (2019: loss of $683,215).

Contentious Issues
The Directors are aware of the following challenges that may cast doubt to the Bank's ability to operate as a going concern entity.

(i) Covid19 Pandemic
(ii) Non-performing loans management

The Bank undertakes to implement appropriate strategies and action to mitigate impacts that may undermine the operation and continuity as disclosed in Note 28 to the financial statements. Government, the shareholder has made commitments through capital injection that commenced in FY2020.

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

Dated at Apia, this day, 5 November 2020.

CHAIRMAN **DIRECTOR**

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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 2020, 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 2020, 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

Without modifying our opinion, we would like to draw your attention to the following matters:

i. COVID – 19

With reference to Note 28, Covid-19 restrictions have severely impacted the tourism industry which holds 67% of the DBS loans portfolio. The wider impact on all sectors is significant which led to borrowers' request to reduce loan repayments. DBS cash flow for the last three months of the financial year has reduced by an average of 24% which signals a direct impact of COVID 19 on the bank's financial stability.

ii. Uncertainty of Going Concern of the Bank

Management has also 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 in relation to 10 key accounts which represent 56% of the total loan portfolio and are considered material relative to the total loan portfolio. Unless the Bank called on securities or government to intervene to cover the above loans, the situation is bleak and can cast a doubt on the 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.

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APIA, SAMOA

AUDIT OFFICE

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 30th October 2020 and our opinion is expressed as at that date.

Apia, Samoa
06th November 2020

Jaslyn T. Mariner -Leota
ASSISTANT CONTROLLER AND AUDITOR GENERAL

DEVELOPMENT BANK OF SAMOA
Comprehensive Statement of Financial Performance
For the year ended 30 June 2020

	Notes	2020 $	2019 $
Income			
Income from loans:			
Interest		7,326,165	6,366,591
Loans processing fees		575,610	547,883
Other income	5	1,550,603	1,750,769
Total income		**9,452,378**	**8,665,243**
Expenses			
Administration expenses	6	1,437,832	1,552,558
Audit fees		51,500	56,000
Directors fees and costs	8(iv)	109,050	130,858
Personnel costs	7	2,788,769	2,718,643
Interest on borrowings		2,768,540	2,443,273
Total expenses		**7,155,691**	**6,901,332**
Earnings before allowance		2,296,687	1,763,911
Provision for doubtful loans	14	(1,120,000)	(1,100,000)
Depreciation	11	(1,423,590)	(1,418,124)
Earnings before Comprehensive Income		**(246,903)**	**(754,213)**
Add/Less Comprehesive Income			
Gain/ (loss) on foreign translation		(197,656)	70,998
Profit/(Loss) after comprehensive income		**(444,559)**	**(683,215)**
Income tax (expense)/ benefit	9 (i)	41,960	300,452
Dividend Paid		-	(17,830)
Net (loss)/Profit after income tax		**(402,599)**	**(400,593)**

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

DEVELOPMENT BANK OF SAMOA
Statement of Financial Position
For the year ended 30 June 2020

	Notes	2020 $	2019 $
CAPITAL AND RESERVES			
Authorised and paid up capital	22	50,000,000	50,000,000
Government of Samoa reserve	23	25,062,690	20,453,041
Retained losses	24	(15,986,159)	(15,583,560)
TOTAL CAPITAL AND RESERVES		**59,076,531**	**54,869,481**
CURRENT ASSETS			
Cash and cash equivalents	15	3,816,334	4,623,252
Short term deposits	16	-	5,000,000
Loans to customers	14,25	15,705,871	16,257,967
Other receivables and prepayments	17	369,011	273,815
Due from shareholders	18	129,085	129,085
Withholding tax	9 (v)	128,775	107,780
Total Current Assets		20,149,076	26,391,900
CURRENT LIABILITIES			
Other creditors and accruals	21	1,313,346	1,510,964
Lease liability	12	13,868	-
Current portion- term borrowings	19,25	11,699,520	11,699,520
Total Current Liabilities		13,026,734	13,210,484
WORKING CAPITAL		7,122,342	13,181,416
NON CURRENT ASSETS			
Equity investments	10	400,000	400,000
Loans to customers	14,25	105,108,504	108,803,321
Property and equipment	11	39,663,003	40,157,954
Land held for resale	13	525,612	524,462
Right of Use Asset	12	27,203	-
Deferred tax assets	9 (iii)	4,267,077	4,225,117
Total non current assets		**149,991,399**	**154,110,854**
NON CURRENT LIABILITIES			
Lease liability	12	13,335	-
Term borrowings	19,25	93,915,291	106,298,420
Long term liability to managed funds	20	4,108,584	6,124,369
Total non current liabilities		**98,037,210**	**112,422,789**
NET ASSETS		**59,076,531**	**54,869,481**

Signed on behalf of the Board:

CHAIRMAN
Dated: 5 November, 2020

DIRECTOR
Dated: 5 November, 2020

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 2020

	Notes	Issued and paid up capital	Government of Samoa Reserve	Retained earnings /(losses)	Total
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)
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**
Net loss after tax			-	(402,599)	(402,599)
Governments Contrubution	23		2,532,620		2,532,620
Guarantee fees Capitalised	23		61,244		61,244
					-
Transfer from long term liability to managed funds to Government of Samoa reserve	23	-	2,015,785	-	2,015,785
Balance as at 30 June 2020		**50,000,000**	**25,062,690**	**(15,986,159)**	**59,076,531**

The accompanying notes form an integral part of the above Statement of Changes in Capital and Reserves.

DEVELOPMENT BANK OF SAMOA
Statement of Cash Flows
For the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Interest on loans		6,581,999	6,366,591
Service fees and other income		2,280,176	2,506,228
Interest on term deposits		109,992	80,055
Interest on borrowings		(3,101,133)	(2,393,677)
Cash paid to suppliers and employees		(5,580,378)	(6,047,765)
Witholding tax		(20,995)	(17,437)
Guarantee fee		(155,128)	(166,960)
Dividend paid		-	(17,830)
Net cash inflow/(outflow) from operating activities		**114,533**	**309,205**
Cash flows from investing activities			
Loan principal collections		12,011,109	14,011,488
Proceeds from sale of property & equipment		81,001	342,200
Dividend from Tropic Resort		32,000	-
Loan principal disbursements		(7,259,266)	(7,052,508)
Purchase of fixed assets	11	(928,639)	(388,073)
Net cash (outflow) from investing activities		**3,936,205**	**6,913,107**
Cash flows from financing activities			
Additional Equity by Government		2,532,620	-
Proceeds from long term borrowings		-	5,000,000
Repayment of long term borrowings		(12,390,276)	(9,221,814)
Net cash inflow from financing activities		**(9,857,656)**	**(4,221,814)**
Net change in cash and cash equivalents		(5,806,918)	3,000,498
Cash and cash equivalents at beginning of year		9,623,252	6,622,754
Cash and cash equivalents at end of year		**3,816,334**	**9,623,252**
Represented by;			
Cash at banks and onhand	15	3,816,334	4,623,252
Short term deposits	16	-	5,000,000
		3,816,334	**9,623,252**

The accompanying notes form an integral part of the above Statement of Cash Flows.

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 and replaced by the Development Bank Act 2010. It is governed by a four member board of directors (the Board) chaired by the Chief Executive Officer of the Ministry of Finance. The reduction in the number of directors came into effect in March 2020 as approved by Cabinet. 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 Savaii office is located at the Level 2, SLC Market Complex at Salelologa.

The Bank is designated as a public trading body regulated under the Public Bodies and Accountability Act 2001 and complies with the Public Finance Management Act 2001.

These financial statements were authorised for issue by the Board of Directors on 5 November, 2020.

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)

The additional disclosure requirements under the Development Bank Act 2010 have been included in the account 2020.

(a) New and amended standards adopted by the group

(i) The Bank adopted IFRS16, Leases which set out a single model for lease eliminating the distinction between finance and operating. The Right of use asset and liability are reflected in the statement of financial position.

(ii) The Bank has complied with the *IFRS 9, "Financial Instruments'*, 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

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

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	
	2020	**2019**
Euro	3.2165	3.1230
USD	2.7412	2.6911

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 collectability 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.

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 %
• Right of Use Asset	2 years

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 the 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 is accounted for under IFRS16 requirement where lease liability and Right of Use Asset is accounted for in the commencement of the lease term. Lease liability is discounted to present value using the DBS incremental rate of borrowing. Lease liability is reduced by lease payment and Right of Use Assets is depreciated at term of lease on a straight line basis.

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 2020 and 30 June 2019. During those years, the Bank has complied with all of the externally imposed capital requirements.

	2020	**2019**
	$000	$000
Tier 1 Capital	58,306	53,856
Tier 2 Capital	6,304	8,377
Risk Weighted Assets	175,596	180,220
Calculated Ratios:		
Tier 1 capital	33%	30%
Tier 2 capital	4%	5%

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:

	2020		2019
	$		$
Interest on term deposit	109,922		80,055
Bad debts recover	40,027		26,822
Interest on equity investment	32,000		32,000
Rent income	1,072,724		1,022,171
Gain on foreign exchange	130,093		257,788
Other income	165,837		331,933
	1,550,603		1,750,769

Rent income earned from tenants on the DBS building for the year was $1,072,724 (2019: $1,022,171). Not included is rental and electricity income of $444,973(2019:$444,973) and

$200,768(2019: $257,386) 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 $1,718,465 (2019:$1,724,530).

6. Administration expenses

Details of administration expenses are specified as follows:

	2020	2019
	$	$
Advertising and promotion	81,374	98,401
Computer and internet cost	110,205	129,926
Guarantee fees to Government	183,693	216,373
Insurance	210,408	203,864
Interest on savings	63	33
Staff development	7,579	30,430
Printing and stationeries	66,202	17,979
Rent for Savaii Office	14,375	13,800
Repairs and maintenance	92,244	115,814
Travel expenses	123,400	127,693
Vehicle expenses	104,944	138,684
Other administration expenses	443,345	459,561
Total administration expenses	**1,437,832**	**1,552,558**

Rent paid for the year was $444,973 (2019: $444,973) and electricity expense of $200,768 (2019: $257,386) 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 $790,638 (2019:$702,359).

7. Personnel costs

Details of personnel costs are specified as follows:

	2020	2019
	$	$
Gross salaries and wages	2,509,612	2,463,034
Long service leave entitlements	48,892	54,229
Accident Compensation Levy	25,585	25,172
National Provident Fund	204,680	176,208
Total personnel costs	**2,788,769**	**2,718,643**

The number of persons employed during the year is 77 (2019: 84).

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

8. Directors, Audit and Risk Committee and executive management compensation

i. *Directors*

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

Leasiosiofa'asisina Oscar Malielegaoi	-	Chairperson and CEO, Ministry of Finance
Tugaga Tevesi	-	Member
Peseta Peter Tone	-	Member
Leota Matamua Niko Ngau Chun	-	Member
Aiolupotea Sauimalae M Chu Ling	-	Term completed February 2020
Seuamuli Sarona Ponifasio	-	Term completed February 2020

Vui Sebatian Mariner	-	Term completed February 2020
Emele Meleisea Ainuu	-	Member (appointed March 2020)
Susana Laulu	-	CEO Ex-officio

The new Board composition which changed the number of directors from 7 to 5 came into effect on 1 March 2020.

The 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 eleven monthly meetings and three special meetings.

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 Committee*

The Risk Committee during the financial period comprise of:

Seuamuli Sarona Ponifasio	-	Chairperson (term completed February 2020)
Vui Sebastian Mariner	-	Member (term completed February 2020)
Aiolupotea Sauimalae M Chu Ling	-	Member (term completed February 2020)

The Committee held two meetings during the year.

iv. *Board costs*

Board of Directors expenses are as follows:

	2020	2019
	$	$
Directors fees	96,231	108,000
Membership fees	4,000	6,000
Meeting expenses	7,770	6,858
Other cost	1,049	10,000
Total Board of Directors expenses	**109,050**	**130,858**

v. *Key management personnel costs*

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

	2020	2019
	$	$
Salaries and short-term employment benefits	874,279	849,541
Employers contribution to:		
National provident fund	69,942	59,468
Accident compensation commission	8,743	8,495
Total key management personnel costs	**952,964**	**917,504**

9. Income tax

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

	2020	2019
	$	$
Current income tax (expense)/benefit	94,866	477,765
Current income tax benefit not recognised	-	(477,765)
Deferred tax expense/(income) on origination	-	-
and reversal of temporary differences	(52,906)	300,452
Recognition of deferred tax balances	-	-
Income tax (expense)/benefit recgonised	41,960	300,452

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

	2020	2019
	$	$
Net (Loss)/Profit	(444,559)	(683,215)
Prima facie income tax benefit at 27%	(120,031)	(184,468)
Income tax benefit not recognised	161,991	484,920
Income tax (expense)/benefit	41,960	300,452

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

	balance	income/additions	balance
Temporary differences	$	$	$
Property, plant and equipment	(244,641)	87,531	(157,110)
Provision for doubtful debts	4,416,107	5,400	4,421,507
Provision for annual leave	21,745	21,566	43,311
Unrealised Gain on currency translation	585,415	(72,537)	512,878
Current year deferred tax asset on loss	(527,131)		(527,131)
Income Tax on Profit	(26,378)	-	(26,378)
Net deferred tax assets	4,225,117	41,960	4,267,077

(iv) Deferred tax assets on net losses not recognised

The movement in unrecognised deferred tax assets is as follows:

	2020	2019
	$	$
Opening balance of unrecognised tax losses	7,245,691	6,767,926
Unrecognised Tax on Loss	161,991	477,765
Closing balance of unrecognised tax losses	7,407,682	7,245,691

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

	2020	2019
	$	$
Balance brought forward	107,780	90,343
Withholding tax for the year	20,995	17,437
Balance carried forward	128,775	107,780

10. Equity investments

Details of equity investments are specified as follows:

	2020	2019
	$	$
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.

11. 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 2018	1,559,686	49,513,544	262,509	5,690,249	877,499	57,903,487
Additions		740	-	163,333	224,000	388,073
Disposals		-	-	(237,681)	(75,000)	(312,681)
Balance as at 30 June 2019	1,559,686	49,514,284	262,509	5,615,901	1,026,499	57,978,879
Additions		-	674,531	30,108	224,000	928,639
Disposals		-	-	-	(203,500)	(203,500)
Balance as at 30 June 2020	1,559,686	49,514,284	937,040	5,646,009	1,046,999	58,704,018
Accumulated depreciation						
Opening balance 1 July 2018	-	11,141,435	200,136	4,733,409	640,503	16,715,483
Disposals		-		(237,682)	(75,000)	(312,682)
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	17,820,925
Disposals				-	(203,500)	(203,500)
Depreciation charge for the year	-	996,906	28,385	270,032	128,267	1,423,590
Balance as at 30 June 2020	-	13,151,709	267,895	5,034,541	586,870	19,041,015
Net carrying amount 30 June 2019	1,559,686	37,359,481	22,999	851,392	364,396	40,157,954
Net carrying amount 30 June 2020	1,559,686	36,362,575	669,145	611,468	460,129	39,663,003

12. Lease liability and Right of Use Asset

The Bank's office space in Savaii is on operating lease arrangement and accounted for under IFRS 16. Lease is for 3 years at $15, 000 per annum exclusive of VAGST. Lease liability and Right to Use Asset for the remaining lease term of 2 years discounted at 4% is accounted for in the financials. Lease liability is reduced by annual lease payment and Right of Use Asset is depreciated on a straight line basis as reported in note 12.

Lease liability is allocated as follows:

	2020 $	2019 $
Less than 1 year	13,868	-
Greater than 1 year and less than 5 years	13,335	-
	27,203	0

The lease was renewed on 1 July 2019 and will expire on 30 June 2022.

13. 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.

	2020		2019
	$		$
Balance at beginning of the year	524,462		627,095
Land sold	-		- 102,633
Additional cost	1,150		-
Balance 30 June 2020	**525,612**		**524,462**

14. Loans to customers

Gross loans analysis

	2020 $	2019 $
Gross loans	141,275,047	145,037,560
Less: Specific provision	(9,829,537)	(8,177,870)
: General provision	(8,212,321)	(9,446,298)
: Interest & fees suspended	(2,418,814)	(2,352,105)
Total Loans	**120,814,375**	**125,061,287**
Non current portion of loans	105,108,504	108,803,321
Current portion of loans	15,705,871	16,257,967
	120,814,375	**125,061,288**

Provision for doubtful loans analysis

	2020 $	2019 $
Specific provision		
Balance at the beginning of the year	8,177,869	8,177,869
Write off as bad debts against provision	(702,310)	-
Transfer from General	736,761	-
	8,212,321	8,177,869
General provision		
Balance at the beginning of the year	9,446,298	9,386,032
Charge to income statement	1,120,000	1,100,000
Write off as bad debts against provision	-	-
Transfer to Specific Provision	(736,761)	(1,039,734)
	9,829,537	9,446,298
Interest and Fees Suspended		
Opening balance	2,352,105	1,967,929
Additional Interest suspended	1,712,018	3,028,274
Recovered	(1,645,309)	(2,644,098)
	2,418,814	2,352,105
Total provision for doubtful debts	20,460,671	19,976,272

Impaired and past due assets analysis

Non accrual loans with specific provision for impairment	2020 $	2019 $
Gross	28,658,772	24,738,829
Less suspended interest	(2,418,813)	(1,622,431)
	26,239,959	23,116,398
less specific provision	(8,212,321)	(5,672,998)
	18,027,638	17,443,400

Past due loans	2020 $	2019 $
Gross	26,329,751	13,224,417
less suspended interest	(2,418,813)	(1,662,431)
	23,910,938	11,561,986

15. Cash and cash equivalents

Details of cash and cash at bank are as follows:

	2020 **$**	2019 **$**
Cash at banks	3,815,734	4,622,652
Petty cash	600	600
Total cash at bank	**3,816,334**	**4,623,252**

16. Short Term deposits

Details of term deposit are specified as follows:

	2020 **$**	2019 **$**
Term deposits	-	5,000,000

17. Other receivables and prepayments

Details of other receivables and prepayments are specified as follows:

	2020 $	2019 $
Dividend- Tropic Resort	96,000	96,000
Prepayments	164,554	151,484
Tenants rent and power	86,960	4,835
Other debtors and accruals	21,497	21,496
	369,011	**273,815**

18. Due from shareholder

Details of due from shareholder are specified as follows:

	2020 $	2019 $
Opening Balance	129,085	168,387
Received from MOF	-	(102,497)
Exchange difference arising under the EEC loan	-	63,195
Total due from Government at year end	**129,085**	**129,085**

The Government of Samoa has agreed to take the exchange risk arising from the European Economic Community Loan. This loan was paid off in May 2019.

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 was settled in May 2019 and the Government of Samoa was responsible for the exchange risk due to exchange fluctuations (refer Note 18). The Development Bank of Samoa has complied as at 30 June 2020 with these covenants. Interest on borrowings for the year amounted to $2,768,540. (2019:$2,443,273).

	Current $	Term $	2020 Total $	2019 Total $	Interest rate per annum
IDA 15820	458,189	1,825,342	2,283,532	2,538,701	6%
EIB GL VI	2,196,182	1,600,314	3,796,496	5,982,366	5.5%
EIB GL VII	927,260	3,453,029	4,380,289	5,285,246	3.9%
NPF	902,469	13,311,470	14,213,939	15,427,830	4%
CBS 2	374,563	279,758	654,321	1,052,016	3%
CBS 3	615,966	402,778	1,018,744	1,672,750	3%
CBS 4 TC Evan	2,765,369	24,770,235	27,535,604	30,533,183	1%
CBS 5 SIDS/CYG	1,836,357	19,930,134	21,766,491	23,769,006	2%
CBS 6	573,178	6,964,317	7,537,495	8,146,073	3%
CBS 7	792,932	11,950,789	12,743,721	13,635,213	3%
CBS 8	257,055	9,427,125	9,684,180	9,955,556	3%
TOTAL	**11,699,520**	**93,915,291**	**105,614,812**	**117,997,940**	

Terms and conditions and principal repayment terms

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

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 2020, the Bank has complied with two of the four covenants as prescribed in the terms and conditions of the loans as follows;

- Total capital to assets is 35% (2019: 30%)-complied
- Non-Performing Loans to total loans is 19% (2019: 9%)-not complied
- Provision for loan losses to non-performing loans is 78% (2019: 151%)-not-complied
- Liquidity ratio is 1.5:1 (2019 2.1 :1)-complied

20. Long term liability to managed funds

	2020 $	2019 $
Loan with UTOS	4,108,584	6,124,369
Total managed funds	4,108,584	6,124,369
Opening balance	6,124,369	7,996,010
Transferred to capital and reserves (note 23)	(2,015,785)	(1,871,641)
Long term liability	**4,108,584**	**6,124,369**

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 2020, $2,400,000 has been paid direct by the Ministry of Finance to loan repayments and interest expense totalled $384,215. The net contribution by Government of $2,015,785 has been transferred to Government reserves per Note 23.

21. Other creditors and accruals

Details of other creditors and accruals are specified as follows:

	2020 $	2019 $
Provision for long service leave and annual leave	162,598	82,723
Portfolio credits	48,141	20,092
Accrued interest on borrowings	136,437	408,150
Savings on micro credit scheme	3,915	2,998
Guarantee fees	183,694	216,373
Other creditors and accruals	643,769	664,782
Provision for Audit fee	67,246	65,248
VAGST	67,546	50,598
Total other creditors and accruals	1,313,346	1,510,964

Savings represent interest of 1.75% credited to savings accounts under the inclusive development facility for women and youth.

22. Authorised and paid-up capital

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

	2020 $	2019 $
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:

	2020	2019
	$	$
Opening balance	20,453,041	18,501,440
Add: Transfer from Managed Funds (Note 20)	2,015,785	1,871,641
Add: Guarantee fee capitalised	61,244	79,960
Additional equity	2,532,620	-
Closing balance	**25,062,690**	**20,453,041**

24. Retain Earnings

Movement of Retain earnings is as follows;

	2020	2019
	$	$
Opening balance	(15,583,560)	(15,182,967)
Loss after tax	(402,599)	(400,593)
Balance at 30 June 2020	**(15,986,159)**	**(15,583,560)**

25. 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
2020						
Cash	3,816,334					3,816,334
Term deposits						-
Loans	2,883,455	4,450,489	8,371,927	50,030,198	75,538,978	141,275,047
Borrowings	-	(2,678,083)	(7,799,581)	(53,663,969)	(41,473,179)	(105,614,812)
Total	6,699,789	1,772,406	572,346	(3,633,771)	34,065,799	39,476,569
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

26. 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:

	2020 $	2019 $
Agriculture	8,627,530	10,968,736
Fishing	3,174,220	3,350,652
Inclusive Development	5,836,868	5,228,517
Industry Other business and services	28,772,907	29,376,248
Industry Tourism	94,457,917	95,533,957
Staff	405,605	579,450
	141,275,047	145,037,560

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 2020 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 in Tala ($)	
	2020	**2019**
Euro	3,796,496	5,982,363
USD	4,380,282	5,285,245

	Effect on Income		
	5%	10%	15%
Euro strengthening	(189,824)	(379,649)	(569,474)
Euro weakening	189,824	379,649	569,474
USD strengthening	(219,014)	(438,028)	(657,043)
USD weakening	219,014	438,028	657,043

27. Capital commitments and contingent liabilities

The board has approved a capital budget of $360k for the year ended 30 June 2020(2019: $1.8m).

As of 30 June 2020, the Bank had no contingent liability or asset (2019: NIL)

28. Going Concern Assumption

Covid-19 Impact

The global impact of Covid-19 has prompted global, regional and national governments to undertake preventative and precautionary action to combat and mitigate the risks over the health of people and nation. In Samoa, Government proclaimed the State of Emergency (SOE) since 24 March 2020. As a result borders for travel via air and sea have been closed. Samoa's two economic indicators are sourced from tourism and remittances earnings. The closure of border to international travels has severely affected the tourism industry. Tourist arrivals and earnings reduced significantly to none since April 2020. All international events confirmed to host in Samoa have been cancelled. Restrictions to public and group gatherings or celebrations were imposed. Consequently, the expected income from cancelled bookings for accommodation, events and other services has reduced significantly. Hotels were closed and loss of employment. The DBS loan portfolio is 67% or $95million to tourism projects. Of this total amount, 26% or $24million is non-performing loans prior to Covid-19. These loans are under 'special monitoring' period which will end in December 2020. The closure of hotels has impacted the expected loan repayments to support cash flow and commitments. The opening up of the SOE restriction to hotels and related hospitality businesses provided the breakthrough to generate income. The response from the local market has been positive which increases activities to support hotels and businesses. Government has also offered their support to stimulate the industry through the stimulus package contributions and quarantine for repatriation.

Covid-19 has had a wider impact to other sectors where MSME businesses relied on tourism for income source. Some of these businesses include food, transportation, cultural goods and agriculture. A reduction of about 24% has been noted in overall loan collection since April 2020. The reduction is mainly due to hotels with no income generating activity. The collection is driven by MSMEs on average at 60%, hence the priority to increase new lending to this group through general lending or pilot projects undertaken in collaboration with other government agencies and private sector. The cash flow shortfall has been covered by the $2million received from Government for interest payment and rent of private tenants. In the same period, Government injected $2.5million to support operation. The staff continued employment as required by Government during the SOE.

Non-performing loans

The non-performing loans have had negative impact to cash flow and financial performance. As part of the stimulus package, consideration of relief assistance to restructure loans for clients that have been affected by Covid-19 is necessary due to no income source and this review is conducted on a case by case basis. Since the SOE, the Court has suspended auctions and delayed recovery action. The DBS has taken a thorough review of non-preforming loans by considering the value of assets held as security, past write off and recovery outcomes to assess the expected loss. The DBS is confident that the current provision of $20million is adequate to cover potential loss that may be incurred. Further the DBS has

undertaken the necessary measures to activate the recovery of the non-performing loans under the 'special monitoring' period in January 2021.

Despite the financial impact of Covid-19 and non-performing loans, the DBS continues the strict monitoring of cash flow to continue its services to support economic and social development. The DBS has not in any way turned away applicants who have sought financing assistance. The DBS has a pipeline which is assessed in accordance with its credit risk policy. The debt servicing has been adequately covered and honoured. The payment holiday on local borrowings will commence in July 2021. The loan with UTOS is paid direct by Government at $2.4million annually on behalf of the DBS. The lending continues to clear the pipeline which is predominantly for agriculture at MSME levels.

Measures taken to warrant going concern assumption

The DBS recognises that the above circumstances may cast significant doubt upon its ability to continue as a going concern. However, the DBS is committed to the following plans and measures that will be undertaken to deal with the impact of non-performing loans and uncertainty of Covid-19.

- For the period ending 30 June 2021, Government has committed $2.5million of capital injection to support operation. A further $4million of capital injection is committed to provide financing assistance to increase agriculture developments.
- The DBS has sought and received approval from its local financiers for payment holidays for a period of six months to December 2020. An extension will be requested if the SOE continues.
- The DBS will continue its daily monitoring of cash flow and undertake the necessary measures to ensure cost savings and to cover commitments in the next two years. The liabilities are reducing and maturity dates vary between 1 to 15 years. There has been no new debt in FY2020 and the same is expected for FY2021.
- Cost saving measures continues over expenses as in previous years. There are no major capital cost committed for the two years.
- Since the Covid-19, budget has been reviewed periodically to assess and account impact on cash flow commitments, performance and financial stability. Despite the negative impact, loss after tax recorded in FY2020 of $402K is an improved performance compared to budget loss of $1.9million. The next budget review is for second quarter FY2021 to assess the progress of the strategies implemented in managing cash flow levels and non-performing loans.
- The DBS has taken a thorough review of non-preforming loans by considering the value of assets held as security, past write off and recovery outcomes to assess the expected loss. The DBS is confident that the current provision of $20million is adequate to cover potential loss that may be incurred. Further the DBS has undertaken the necessary measures to activate the recovery of the non-performing loans under the 'special monitoring' period in January 2021.
- Credit risk policy training continues to refresh skills of loans officers in loan appraisal and monitoring to better manage default and non-performing loans.
- Working with clients continues to find solutions and consider appropriate assistance to support their projects whilst the uncertainty of Covid-19 is being monitored. For example, collaboration with Samoa Business Hub and Business Link Pacific.
- Undertake Government assistance to grow and increase new developments to stimulate economic growth and social development for our people and businesses.
- The DBS building is 100% occupied. The delay in the major work of replacing and installation of the new chillers due to Covid-19 is expected to be complete in October 2020.
- Technical assistance offered by development partners and donors to strengthen capacity of the DBS and people to manage risk and responsiveness to calamities such as Covid-19.
- The Government as the shareholder pledges commitment to the DBS to ensure sustainability and continuity of its critical role in economic growth and social development for Samoa.

Based on the circumstances described above, the financial statements are prepared on the assumption that the entity is a going concern.