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Office of the Prime Minister

STATEMENT TO PARLIAMENT Apia, Samoa

6 November 2015

Hon. Laauli Leuatea Polataivao Fosi
Speaker of the House
Legislative Assembly of Samoa
MULINU'U

Dear Mr Speaker,

ANNUAL REPORT 2015 – DEVELOPMENT BANK OF SAMOA

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 2015.

The Annual Report 2015 is submitted in accordance with Section 23 of the Public Bodies (Performance & Accountability) Act 2001.

Ma le fa'aaloalo,

Hon. Tuilaepa Lupesoliai Sailele Malielegaoi
PRIME MINISTER/MINISTER OF FINANCE

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BOARD OF DIRECTORS

Lavea Tupa'imatuna Iulai Lavea
Chairman

Peseta Margaret Malua
Director

Sauimalae Malolo Chu Ling
Director

Peseta Peter Tone
Director

Tugaga Tevesi
Director

Loau Solamalelao Keneti Sio
Director

CHAIRMAN'S REPORT

Over the years, DBS has endeavoured to deliver on its mandate to provide credit financing to viable development projects to stimulate economic activity. DBS is the development arm of Government for growth and social enhancement.

The concessional credit facilities channelled through the Central Bank of Samoa continued to facilitate accommodation improvements for the SIDS meetings in September 204 and CYG in September 2015. The concessional interest rate and terms provided affordable credit financing to both accommodation businesses and private home owners.

For the period ended 30 June 2015, 347 new loans were approved to a value of $23.7million. Of this approval, 75% represents SIDS/CYG, 13% to industry, 7% to agriculture including SACEP and balance to SBEC. These developments were financed 80% under concessional credit lines and 20% from loan collection. The gross portfolio recorded was $156million representing 13% growth.

The facilitation of the concessional credit lines in addition to the stimulus package has significantly affected the financial performance and liquidity of the Bank. The margins generated from these facilities are inadequate to cover both operation and borrowing commitments. About 62% of the portfolio is financed under concessional credit lines which generates an average of return of 5% and 2% short of the required ROE of 7%.

As a result the Bank recorded a loss of $1.9million before tax compared to budget of $3million. The due date is progressive over the next 24 months before a positive outcome is achieved.

The completion of the organisational review has been beneficial in understanding the significant challenges that hinder the operations. The Board and management have worked together to develop action plan supported by comprehensive objectives and strategies to better position in the Bank in moving forward.

On behalf of the Board of Directors, I wish to express gratitude to the Chief Executive Officer, management and staff for their effort and commitment throughout the year.

We look forward to an improved performance in the year ahead.

Lavea Tupaimatuna Iulai Lavea
CHAIRMAN – BOARD OF DIRECTORS

MANAGEMENT

Tunumafono Sinapi Sapa
Manager – Loans Management

Susana Laulu
Chief Executive Officer

Aiufi Kelekolio
Manager – Loans Administration

Talasa Atoa Saaga
Manager – Legal

Laeititimalu Valovalo Tusani
Manager – Corporate Services

Migao Tiotio
Manager – Savaii Branch

Muaautau Raie Silipa
Manager – Finance

Pauli Prince Suhren
Manager – MIS

Luaia Esera Mauli
Manager – Internal Audit

CHIEF EXECUTIVE OFFICER'S REPORT

The Bank's mandate is to provide credit financing to viable and sustainable projects in all sectors of the economy to enhance economic and social developments. Despite the challenges that have affected the ability to remain sustainable, the Bank has continued to respond positively to the needs of businesses as the development arm of Government to stimulate economic growth as reflected in its activities for the year ended 30 June 2015.

1. SIGNIFICANT DEVELOPMENT CREDIT ASSISTANCES

(i) SIDS/CYG Credit Facility

This credit line facility provided assistance to hotels, accommodation providers and private homeowners that were contracted to provide accommodation facilities for the SIDS/CYG. At 30 June 2015, 37 applications were approved funding in addition to 11 approved in FY2014. Total portfolio recorded is $28million. Out of the 48 approval, 2 loan accounts have been paid off. The interest rate applied is 5% plus a grace period of 12 months.

(ii) Samoa Agriculture Competitiveness Enhancement Project (SACEP)

The SACEP is a matching grant scheme funded by the World Bank and implemented by Government through the Ministry of Finance, Ministry of Agriculture and SBEC. The project's objective is to revive agriculture through livestock, vegetables and fruit trees. The role of the Bank is to facilitate and finance the loan component which makes up 30% of the project cost. At 30 June 2015, a total of 115 applications were received and approved to the value of $885,501. The approval allocation is allocated at 79% livestock, 20% to fruit trees and vegetables and 1% honey. In support of this project, the Bank has continued its commitment to finance the loan component at reduce interest of 8% and grace period of 6 – 12 months.

In addition to facilitation, the Bank received a merit award from its nomination of the SACEP project at the Association of Development Financing Institutions of Asia Pacific (ADFIAP) which was presented and received by Director Peseta Margaret Malua at the 38th ADFIAP Annual Meetings in Viet Nam.

DBS Board Director Mrs Peseta Margaret Malua with Chairman ADFIAP

(iii) Normal lending assistance

In addition to the concessional credit lines the Bank continued with its normal lending to fund new developments, expansion and upgrades to existing developments in other sectors of the economy. At the end of June a total of 200 developments were approved assistance to the value of $4.7million.

Developments

Tourism

Livestock

Veges & Bees

Food Catering Business

OVERVIEW OF OPERATIONS AND PERFORMANCE

(i) Lending Operations

DBS lending portfolio comprised primarily of loan advances to projects to development sectors of the economy. Development projects represent 97% of total portfolio recorded of $156million at year end. Total loan approval recorded was $23.7million allocated at 90% to industry, 8% to agriculture and 2% to SBEC. Of the industry allocation, 76% represents tourism developments for SIDS/CYG and 24% to services, SMEs and others. These approvals were funded from the SIDS/CYG credit line and loan collection. In comparison to 2014 a decrease of 44% is noted. The decrease is due to completion of the Cyclone Evan facility in FY14. The sector representation of approvals for 2015 is shown as follows.

Figure 1

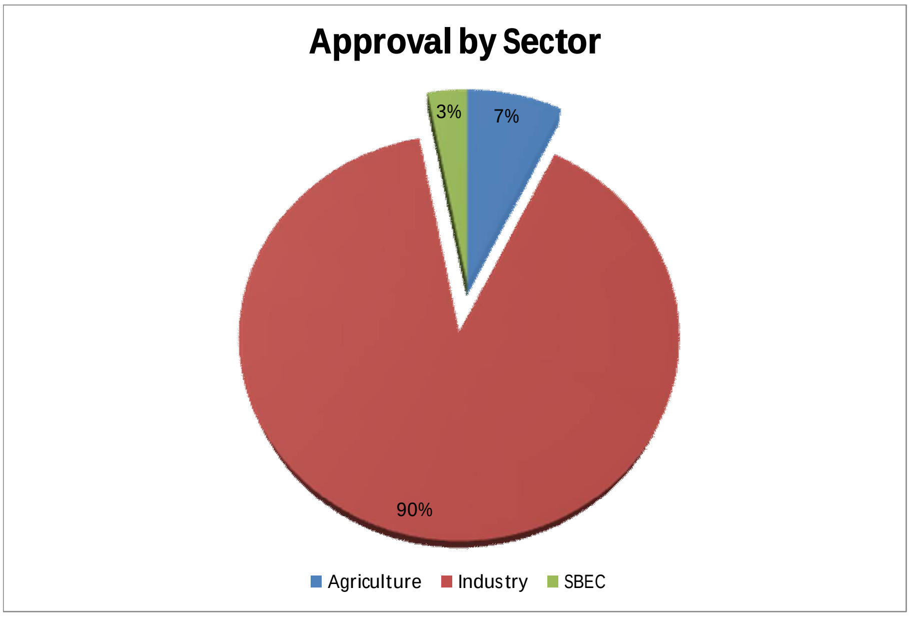
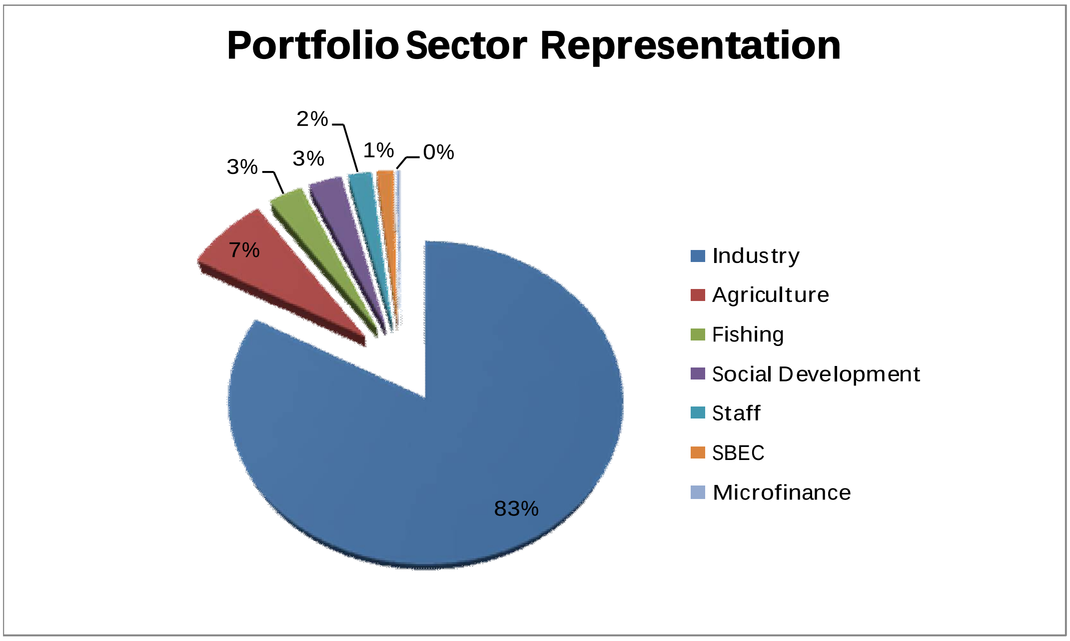


Table 1: - Portfolio Summary

	FY15	FY14	FY13	FY12	FY11
	$000	$000	$000	$000	$000
Total portfolio	156,505	141,002	105,016	91,701	91,546
• Developments	151,297	133,973	96,258	81,795	81,035
• Non developments	5,208	7,029	8,758	9,906	10,511
Growth - developments	13%	39%	18%	0.9%	17%

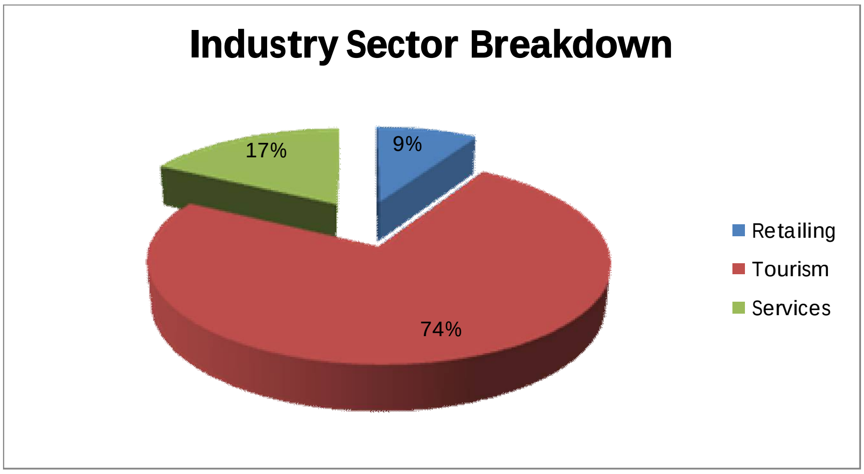
The gross portfolio at year end was recorded at $156million. As shown in the above table, growth in our development portfolio was recorded at 13%. The sector representation of the gross portfolio is shown in the following graph.

Figure 2



Total development portfolio recorded at end of year was $151million. The industry sector represents 83% of this portfolio. The tourism sector represents 63% of development portfolio and 74% of the industry sector as shown in the following graph.

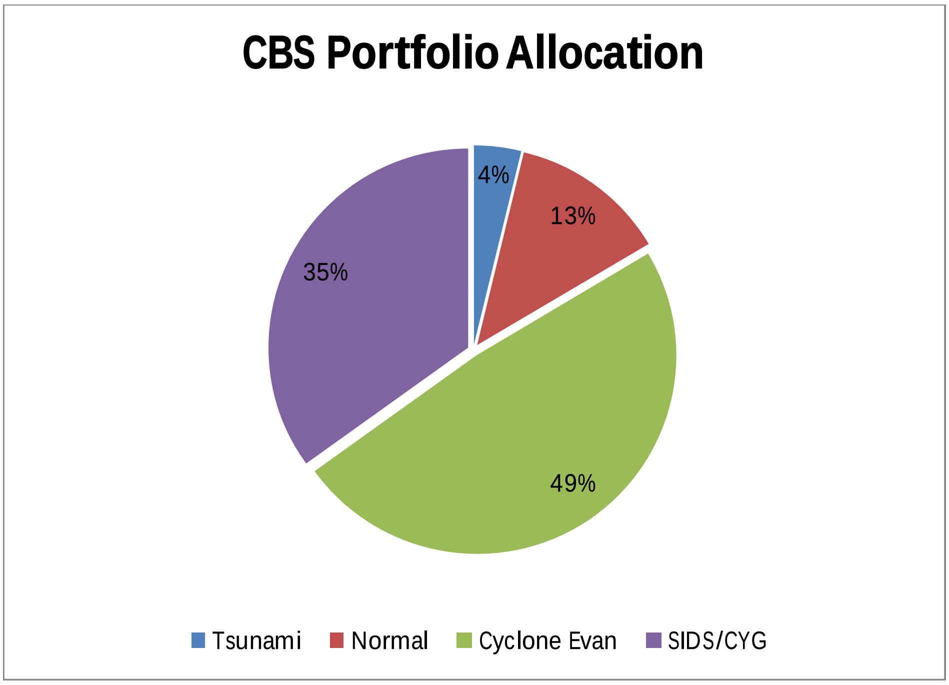
Figure 3



In the Strategy for the Development of Samoa 2012 - 2016, tourism is highlighted as one of the prioritised sector given its contribution to GDP of over 20%. The activities in the tourism sector have been severely affected since the tsunami of 2009. At a time when activity started to improve Cyclone Evan struck in December 2012. The effects of the global financial crisis and natural events in existing and potential destinations have also impacted the flow of tourists to Samoa. The hosting of the Third SIDS meetings in September 2014 and other international events during the year have improved tourism and business activities. In the last 6 months of 2015, Samoa will host the All Blacks and the 5th Commonwealth Youth Games. Government is continuing its initiatives to bring over international meetings and events that would stimulate economic activity to support tourism and business activity. The Bank will continue to monitor the performance of the tourism sector and take immediate action to ensure its investment is safeguarded and will be returned.

In facilitating the credit financing to development projects, a significant amount of financing was sourced from the Central Bank of Samoa at a total of $22.5million of which 55% represents the SIDS/CYG facility. The continued support from CBS through concessional credit lines has enabled the funding of many developments which are crucial to economic and social development. The flexibility in the terms has enabled the Bank to manage its resources from time to time.

Figure 4



(ii) Financial Results

At 30 June 2015, loss before tax decreased by 36% and 60% compared to budget and 2014 respectively.

Table 2:

	2015 Actual $000	2015 Budget $000	2014 Actual $000
Revenue	9,609	8,761	5,343
Expenditure	10,081	10,351	9,012
EBDT and foreign exchange	(472)	(1,590)	(3,669)
Depreciation	(1,478)	(1,418)	(1,453)
Gain/(loss) on foreign exchange	26	0	217
EBT	(1,924)	(3,008)	(4,906)

Major movements in Revenue:

- Interest income represents 84% or $8.1million of total revenue compared to $3million in 2014. The increase in interest income is due to progressive commencement of interest charged on loan accounts that were on grace period plus $1.9million of interest subsidy received from Government. About 51% of development loans under the following facilities continue to be on grace period.

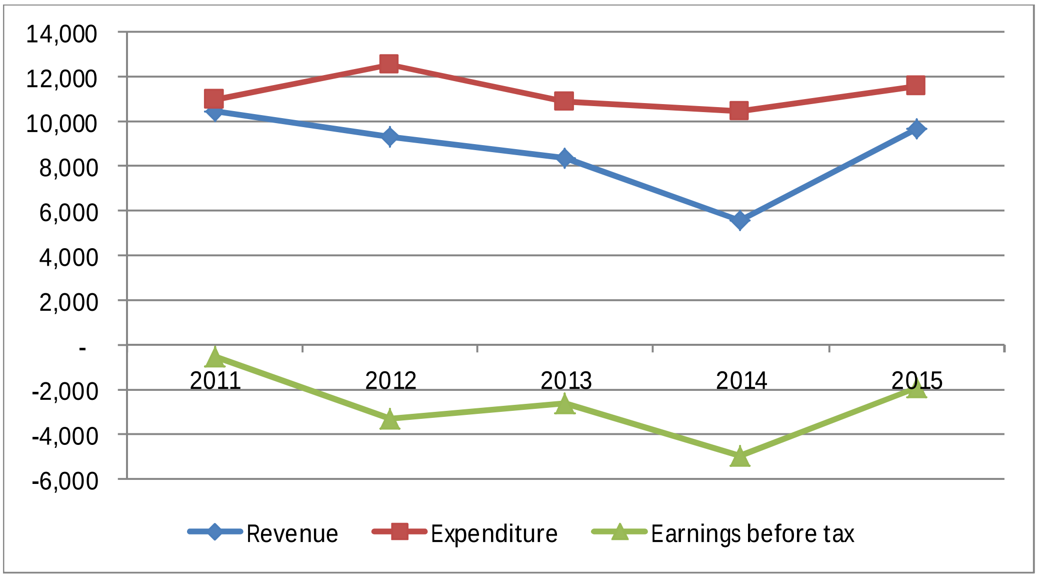
	% to Portfolio	Interest
Stimulus package	20	8%
Cyclone Evan	17	3%
SIDS/CYG	14	5%
Total	**51**	

- Income from loan processing remains constant compared to budget and 2014 respectively.
- Other income increased by 14% and 7% compared to budget and 2014 respectively.

Major movements in Expenditure:

- Interest on borrowings increased by 2%. The increase relates to progressive commencement of repayment schedule on CBS credit lines on completion of the grace periods. In addition is the fluctuation in exchange rates for EIB credit lines in EUR and USD currencies.
- The decrease in personnel cost is due to staff movement and discontinuation of two senior positions
- The increase in provision for doubtful loans is to again taking the conservative approach to ensure adequacy of cover for future losses.
- The increase in administration cost relates mainly to repairs and maintenance of chillers and building and utility cost.

Figure 5: Financial Performance



In summary:

- Revenue increased by 10% and 80% compared to budget and 2014 respectively.
- Expenditure remains constant with budget and increase by 11% compared to 2014.
- As a result, loss before tax decreased by 36% and 60% compared to budget and 2014 respectively.
- The margins allowed from the concessional facilities are inadequate to cover cost of operation and borrowings. Further it does not allow DBS the margin to achieve the 7% ROE expected of SOEs. The financial performance is unfavourable, however DBS has delivered on its mandate for developments by achieving a 13% growth compared to budget of 5%.

	% to Portfolio	Interest	ROE	Shortfall
Stimulus package	20	8%	7%	1%
Cyclone Evan	17	3%	7%	(4%)
SIDS/CYG	14	5%	7%	(2%)
Total	51			

- Measures have been put into action to control cost whilst the implementation of existing facilities is in progress.

The risk appetite of the Bank differs significantly with that of commercial banks as the credit financing is made available to high risk developments with low returns. In addition the nature of these developments are generally susceptible to challenges such as economic, social and environmental that not only impact their operations but also difficult to manage. These circumstances and factors when taken into consideration and assessment, allow for terms and conditions that are affordable and accommodative than those offered by commercial banks. Consequently, the outflow of cash is immediate whilst the return is dependent on the time period allowed for the development to be completed to enable the generation of income to meet loan commitments.

It is important to note that the unfavourable outcome projected since 2012 reflects the work in progress of initiatives to assist developments during challenging times, to rebuild after the tsunami, the cyclone and preparations for the SIDS/CYG. The grace period is 12 months on interest and schedule repayment. The implication is that interest generation will be progressive over the years relative to the expiration. DBS continues to work with its customers to ensure their lending obligations are honoured to improve its liquidity position. The nature of activity limits its ability to be profitable and despite the challenges on its resources DBS has worked diligently to remain sustainable in order to continue with its development mandate. Moreover, the trade-off between profit and development will continue to be a challenge. This is a challenging time for the Bank however the expectation is that favourable outcomes will be seen in the next 3 to 5 years.

(iii) Human Resources

The nature of the Bank requires that our people are educated with the necessary skills to enhance their capability. Training opportunities are limited and at times costly still the Bank has committed to build up the capacity of our people through higher education and in-house training programs. During the year, Manager Finance attended the ADFIAP Workshop on Risk Management in Malaysia. Manager MIS attended the South Pacific Software Services Attaché BI Workshop in Australia. Two officers from the MIS and Corporate Service divisions completed the Training Assessment Certificate IV at APTC. Manager MIS was also inducted to the Samoa Institute of Accountants. Training invitations received from PSC and other organisations are also delegated relative to the content and selection criteria for capacity building. In addition, in-house training programs and workshops were conducted about the changes in structure and functional divisions in support of the Bank's initiatives to improve on its service delivery and performance in particular our core function of lending.

DBS staff undertaking capacity building exercises and training

As Samoa hosted the Third SIDS meetings in September 2014, DBS showed support with the secondment of 15 officers including four managers to assist with protocol, liaison and transportation services. This secondment was an invaluable opportunity for our people to be exposed to high level international events for capacity building, skills enhancement and networking.

Some of the DBS staff members seconded for service at the SIDS Conference September 2014

In recognition of the Bank's contribution to the SACEP project, our team is gratified with the success of the SACEP nomination to the ADFIAP awards on the local economic development category. Congratulations to the SACEP team Upolu and Savaii.

The SACEP Team (Upolu and Savaii) with the ADFIAP award for the SACEP Project

(iv) Management Information Systems (MIS)

MIS forms an integral part of the Bank's operations. It is therefore important that regular upgrade to our systems is carried out to ensure integrity and security of information. Further that information system in place will ensure timely processing, reporting and efficiency in service delivery. During the year, work continued with the replacement of the server, work stations and printers for both Upolu and Savaii and LMS Database upgrade. Following the organisational review, MIS has taken over the responsibility of the telephone systems. The replacement process will continue to the new financial year so our people are equipped with the resources to enhance service delivery.

(v) Property Management

The occupancy rate recorded at end of year was 80%. The availability of many vacant spaces in major Government buildings with competitive rates prompted the reduction in rental rate to retain existing tenants and attract new ones. The vacant spaces are continuously being advertised on our website and media. Maintenance of the building is very costly. During the year major replacements were done to chillers and compressors. Other services including the elevators and backup generators were regularly serviced.

The DBS also received energy efficiency lights and air condition units from MNRE which have been installed around the building and the Savaii Branch. It is hoped that the effect on power usage will provide some reduction in power cost. The condition of the building leased by our Savaii Branch is deteriorating and the Bank is looking for spaces to relocate our people and equipment for safety, security and convenience for our customers.

(vi) Membership and Partnerships

The DBS continues to maintain its membership both local through the Samoa Chamber of Commerce and the Samoa Association of Manufacturers and Exports and international with ADFIAP and ADFIP. These memberships enable networking, partnership and training opportunities that are invaluable to enhance the Bank's services and operations. Despite the restriction on resources, the Bank has been able to make use of these opportunities relative to the need. The development partnership with SBEC continues to assist small businesses. The SACEP project has also enabled the Bank to work with SBEC, Ministry of Agriculture and Ministry of Finance in partnership with the World Bank. The Bank is committed to promote partnerships that are sustainable for developments. The Bank will again pursue dialogues with Women in Business and other organisations on initiatives that will be of mutual benefit to our stakeholders.

DBS together with Samoa Housing Corporation, National Bank of Samoa and Samoa National Provident Fund will host the 39th Annual Meetings of the ADFIAP in May 2016. The success of the bid is in recognition of Government initiatives to attract international meetings and events to Samoa to support business development and stimulate economic growth for sustainable development.

(vii) Organisational Review

One of the key developments during the year was the organisational review conducted by Vinstar Ltd. The timing of the review was critical as DBS was experiencing a difficult phase and financial challenges. The review highlighted the following areas that require immediate attention.

- Lending operation and administration
- Arrears Management and timely recovery
- Portfolio diversification to minimise exposure on a single sector and provide equitable distribution of credit financing
- Liquidity pressure due to low collection, arrears, low interest margin and substantial borrowing repayments
- Capital injection to ease pressure on liquidity
- Organisational structure and Human Resource Management
- Lending policies and compliance with prudential guidelines
- Loan collections

The Board and management have held meetings to develop an action plan that will address the key recommendations in the report. In the process, workshops have also been conducted to ensure all staff understand the expectations, action plan and strategies for implementation. The Board and management acknowledge that a significant amount of time is required for on-going consultations, staff training and progressive reviews for these changes to be properly implemented. However, we remain positive that favourable outcomes will be delivered so that the Bank will be in a better position to continue with its mandate.

The Bank wishes to acknowledge the support of Government and its development partner which enabled the completion of this very important review.

2. RISKS

Development Banking is a high risk business and low return given the nature of its operations. It is therefore imperative for the Bank to implement policies and procedures and implement prudent risk management strategies to mitigate the associated risks. To strengthen risk resilience a review of the existing policies and procedures is in progress to better align banking practices and processes to current situation and to the CBS Prudential Guidelines. More importantly training programs will be facilitated to enhance the capability and understanding of our staff to risk management.

3. FUTURE OUTLOOK

(i) Liquidity

Liquidity is a major challenge and the Bank will continuously review its strategies to remain sustainable. The facilitation of existing concessional credit lines has been a positive contribution to assist developments. However it has also caused a mismatch in the flow of cash and income generation. The minimal margin available is also inadequate to cover costs. The debt level is very high which also increases the repayment commitment every month. Therefore it is imperative for the Bank to take proactive action to ensure that these developments service their loan obligations when they fall due. The review of strategies for debt recovery and arrears management is continuously reviewed to improve cash collection and management of loan portfolio.

(ii) Portfolio Diversification

Tourism developments represent 52% of portfolio by value and 3% by number. These developments were financed under concessional interest rate and terms. This indicates an imbalance in distribution of credit financing to include other development sectors of the economy. The high exposure on tourism sector was also highlighted in the review reports by Vinstar Ltd and Ministry of Public Enterprises. The reports further emphasised that DBS should look at diversification to better manage risk on its portfolio given that about 75% have been financed under concessional interest and terms.

The agriculture sector needs to be developed to improve not just food security and consumption but to build up the capacity of small farmers to be semi commercial for business development and to support any value chain initiatives that are in existence. There is also a need to improve export level and this is another area the Bank will look at in order to grow its agriculture portfolio. The sector that has been instrumental in supporting liquidity is the small medium businesses (SMEs) most of which are in partnership with SBEC. The Bank will continue to develop this sector and the social sector for business development and social enhancement.

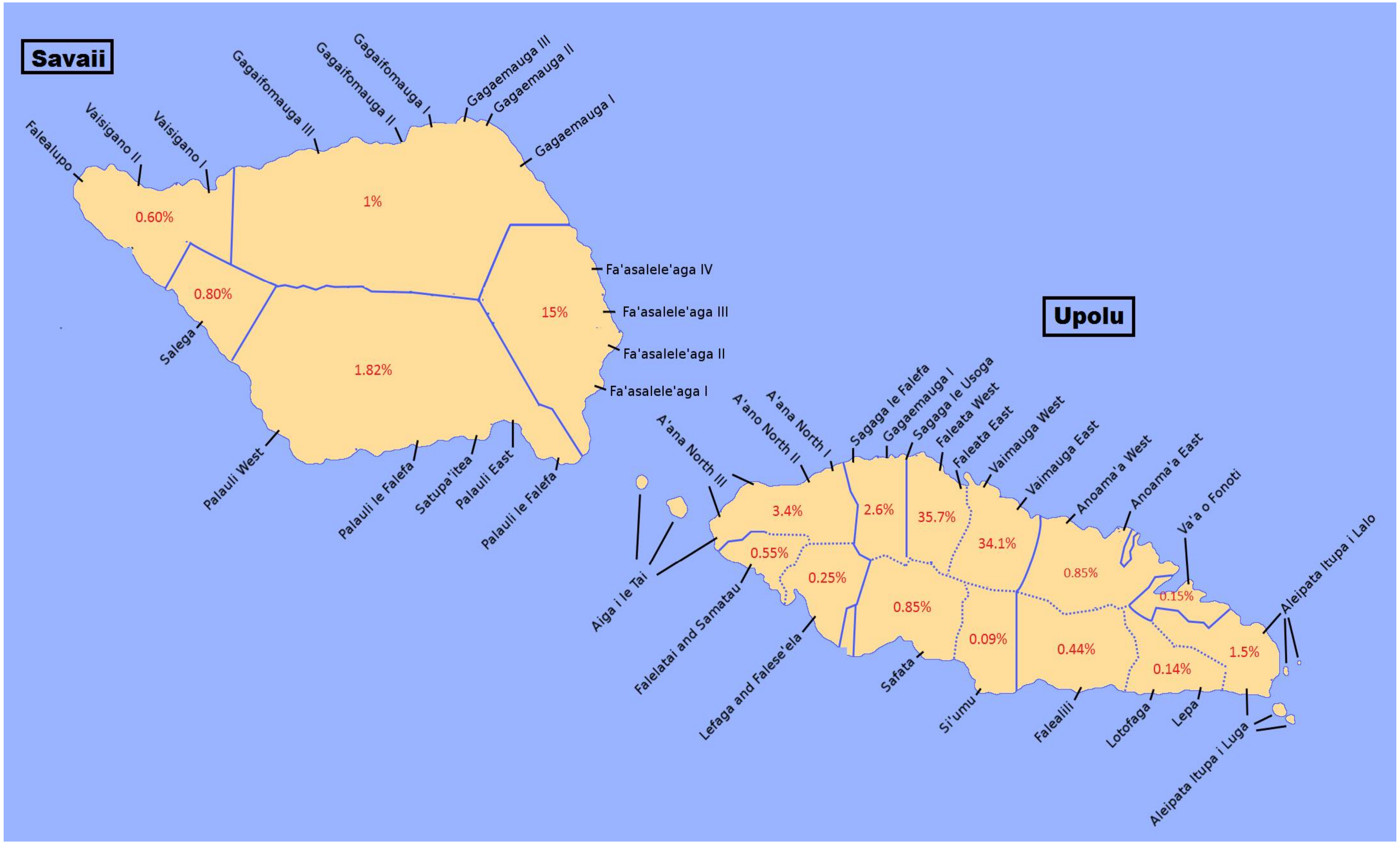
4. THANK YOU

I wish to acknowledge the support of the Chairman and the Board of Directors. Their contribution and insight have been invaluable during these challenging times for the Bank. Our management and staff for their commitment and hard work albeit the challenges surrounding our work. The development focus would not have been achieved without the continuous support of our development financiers and the Government of Samoa. Despite the setback of today, the Bank endeavours to continue with the implementation of its work plan to improve its operation and performance in the years ahead.

Ma le faaaloalo tele,

Susana Laulu
CHIEF EXECUTIVE OFFICER

Geographical Representation of DBS Portfolio (By number)



DEVELOPMENT BANK OF SAMOA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

DEVELOPMENT BANK OF SAMOA
Financial Statements
For the year ended 30 June 2015

CONTENTS

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 (SUA 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

Date 23/10/15

DEVELOPMENT BANK OF SAMOA
Directors' Report
For the year ended 30 June 2015

The Directors present their report together with the financial statements of the Development Bank of Samoa ("the Bank") for the year ended 30 June 2015 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:

LaveaTupa'imatuna Iulai Lavea	-	Chairperson and Chief Executive Officer (MOF)
Tugaga Tevesi	-	Government Appointed
Solamalemalo Keneti Sio	-	Government Appointed
Peseta Margaret Malua	-	Government Appointed
Sauimalae Malolo Chu Ling	-	Government Appointed
Peseta Peter Tone	-	Government Appointed
Sofaea Alo Vaai	-	Resigned 5 Feb 2015

Principal Activity
The principal activity of the Development Bank of Samoa is to provide lending services for agricultural and commercial developments including tourism and industrial, infrastructural development, small businesses and micro projects. 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 2015.

(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 2015.

Operating Results
The netloss for the year, after income tax is $1,644,122 (2014: net loss of $4,554,594).

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

Dated at Apia this 23rd day of October, 2015

DIRECTOR

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

FAAVAEI LE ATUA SAMOA

AUDIT OFFICE

REPORT OF THE AUDIT OFFICE

DEVELOPMENT BANK OF SAMOA

We have audited the accompanying Financial Report of the Development Bank of Samoa, which comprises the Statement of Financial Position as at 30 June 2015, 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 this audit.

The Responsibility of the Board of Directors for the Financial Report

The Board of Directors is responsible for the preparation and fair presentation of the Financial Report in accordance with International Financial Reporting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Financial Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the Financial Report gives a true and fair view of the financial position of Development Bank of Samoa as of 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

C Afele

Apia, Samoa
23rd October 2015

Fuimaono Papali'i C.G. Afele
CONTROLLER AND AUDITOR GENERAL

DEVELOPMENT BANK OF SAMOA

Statement of Financial Performance

For the year ended 30 June 2015

	Notes	2015 $	2014 $
Income			
Income from loans:			
Interest		8,084,033	3,836,259
Loans processing fees		751,265	789,355
Other income	5	773,937	717,472
Total income		**9,609,235**	**5,343,086**
Expenses			
Administration expenses	6	1,805,952	1,619,207
Audit fees		35,350	32,588
Directors fees and costs	9	118,210	99,809
Interest on borrowings		3,711,760	3,636,077
Personnel costs	8	2,901,845	3,061,736
Provision for doubtful loans	13,16	1,508,020	563,264
Total expenses		**10,081,137**	**9,012,681**
Earnings before depreciation and tax		(471,902)	(3,669,595)
Depreciation	12	(1,478,431)	(1,453,897)
Earnings after depreciation		**(1,950,333)**	**(5,123,492)**
Gain/ (Loss) on Foreign Exchange		26,244	217,364
(Loss) before tax		(1,924,089)	(4,906,128)
Income tax benefit	10 (i)	279,967	351,534
Net (loss) after income tax		**(1,644,122)**	**(4,554,594)**

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 2015

	Notes	2015 $	2014 $
CAPITAL AND RESERVES			
Authorised and paid up capital	22	50,000,000	50,000,000
Government of Samoa reserve	23	13,097,866	10,765,495
Retained losses		(12,326,908)	(10,682,786)
TOTAL CAPITAL AND RESERVES		**50,770,958**	**50,082,709**
ASSETS			
Cash and cash equivalents	14	2,729,247	5,984,056
Term deposits	15	68,478	66,987
Other receivables and prepayments	16	2,444,474	2,440,022
Due from shareholders	18	124,096	128,875
Income tax credit	10 (v)	46,988	43,026
Equity investments	11	400,000	400,000
Loans to customers	13,24	138,375,635	123,822,192
Land held for resale	17	1,272,321	1,272,321
Property and equipment	12	45,081,533	46,389,710
Deferred tax assets	10 (iii)	3,566,342	3,286,375
Total assets		**194,109,114**	**183,833,564**
LIABILITIES			
Other creditors and accruals	21	1,358,339	1,539,050
Term borrowings	19,24	128,921,775	116,963,868
Term liability to managed funds	20	13,058,042	15,247,937
Total liabilities		**143,338,156**	**133,750,855**
NET ASSETS		**50,770,958**	**50,082,709**

Signed on behalf of the Board:

DIRECTOR

DIRECTOR

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

DEVELOPMENT BANK OF SAMOA

Statement of Changes in Capital and Reserves

For the year ended 30 June 2015

	Notes	Issued and paid up capital	Government of Samoa Reserve	Retained earnings /(losses)	Total
Balance as at 30 June 2013		50,000,000	9,332,379	(6,128,192)	53,204,187
Net loss after tax		-	-	(4,554,594)	(4,554,594)
Transfer from long term liability to managed funds to Government of Samoa reserve	23	-	1,433,116	-	1,433,116
Balance as at 30 June 2014		**50,000,000**	**10,765,495**	**(10,682,786)**	**50,082,709**
Net loss after tax		-	-	(1,644,122)	(1,644,122)
Governments Contrubution to Micro Credit transfer to Equity			1,000,000		1,000,000
					-
Transfer from long term liability to managed funds to Government of Samoa reserve	23	-	1,332,371	-	1,332,371
Balance as at 30 June 2015		**50,000,000**	**13,097,866**	**(12,326,908)**	**50,770,958**

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 2015

	Notes	2015	2014
		$	$
Cash flows from operating activities			
Interest on loans		4,618,182	2,606,466
Service fees and other income		5,148,189	2,592,269
Bad debts recovered		23,405	13,497
Interest on term deposits		1,755	1,848
Interest on borrowings		(3,686,938)	(3,666,863)
Cash paid to suppliers and employees		(7,096,815)	(6,360,556)
Income taxes paid		(3,962)	(6,202)
Payments (to) Government of Samoa		(244,592)	(335,236)
Net cash inflow/(outflow) from operating activities		**(1,240,776)**	**(5,154,776)**
Cash flows from investing activities			
Loan principal collections		13,770,781	12,321,787
Proceeds from sale of property, plant & equipment		28,581	-
Dividend from Tropic Resort		-	64,000
Loan principal disbursements		(27,657,865)	(48,477,239)
Purchase of fixed assets	12	(193,677)	(259,538)
Net cash (outflow) from investing activities		**(14,052,180)**	**(36,350,990)**
Cash flows from financing activities			
Proceeds from long term borrowings		22,500,000	53,961,524
Repayment of long term borrowings		(10,460,362)	(8,384,385)
Net cash inflow from financing activities		**12,039,638**	**45,577,139**
Net change in cash and cash equivalents		(3,253,318)	4,071,373
Cash and cash equivalents at beginning of year		6,051,043	1,979,670
Cash and cash equivalents at end of year		**2,797,725**	**6,051,043**
Represented by;			
Cash and cash equivalents	14	2,729,247	5,984,056
Term deposits	15	68,478	66,987
		2,797,725	**6,051,043**

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

1. General information

The Development Bank of Samoa (the Bank) provides lending facilities for the industrial, agricultural, commercial, infrastructure, small businesses and micro projects in Samoa.

The Bank was established by the Development Bank Act 1974. It is governed by a7 member board of directors (the Board) chaired by the Chief Executive Officer of the Ministry of Finance. The Board also includes representatives from the Private Sector, Commerce and Agriculture appointed by Government.

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 23 October 2015

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 2013 that would be expected to have a material impact on the Bank.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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 January 2018 . 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:

	2015	2014
Euro	3.0020	3.1949
USD	2.6212	2.3100

e. Financial assets

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 collectlbility 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	20.00%
Office machines and safe	20.00%
Computer development	20.00%
Computers	20.00%
Radio telephone equipment	20.00%
• Motor vehicles	20.00%

The residual value is reassessed annually.

k. Property and equipment (continued)

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.

Income Tax (continued)
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 Authority), 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 2015 and 30 June 2014. During those years, the Bank has complied with all of the externally imposed capital requirements.

	2015	2014
	$'000	$'000
Tier 1 Capital	49,918	55,383
Tier 2 Capital	15,532	13,005
Risk Weighted Assets	197,914	184,937
Calculated Ratios:		
Tier 1 capital	25%	30%
Tier 2 capital	8%	7%

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:

	2015	2014
	$	$
Interest on term deposits	1,755	1,848
Bad debts recovered	19,393	13,497
Interest on equity investments	32,000	32,000
Rent income	524,682	553,830
Other income	109,613	116,297
Gain on Foreign Currency Translation	112,738	217,364
Total other income	800,181	934,836

Rent income earned from tenants on the DBS building for the year was $524,682tala (2014: $553,830). Not included is rental and electricity income of $444,973tala (2014:$450,535) and $490,294tala (2014: $457,342) 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 $1,459,949tala (2014:$1,461,707).

Gain on foreign currency translations is the gain on conversion of principal balances for credit lines EEC, EIB6 and EIB7 using rates at balance sheet date.

6. Administration expenses

Details of administration expenses are specified as follows:

	2015	2014
Advertising and promotion	65,166	86,719
Computer and internet cost	97,655	129,537
Guarantee fees to Government	322,017	387,071
Insurance	210,754	206,483
Interest on savings	391	1,694
Other staff costs	15,530	13,662
Printing and stationeries	68,279	54,633
Rent	9,000	10,800
Repairs & maintenance	143,986	70,544
Travel local	95,765	78,105
Travel overseas	60,944	29,983
Vehicle repairs & maintenance	63,602	64,720
Vehicle running cost	54,024	62,041
Other administration expenses	598,839	420,321
Loss on disposal	-	2,894
Total administration expenses	**1,805,952**	**1,619,207**

Rent paid on leased property for the year was $9,000tala. Not included is rental expense of $444,973tala (2014: $450,535) and electricity expense of $490,294tala (2014: $457,342) 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 $934,143tala (2014:$907,877).

7. Operating lease commitments

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

	2015	2014
	$	$
Less than 1 year	9,000	10,800
	9,000	10,800

During the current period, amount of $9,000 (2014:$10,800) for the Bank were recognised as an operating expense in the income statement in respect of operating leases. DBS ceased leasing the property in April 2015.

8. Personnel costs

Details of personnel costs are specified as follows:

	2015	2014
	$	$
Gross salaries and wages	2,653,379	2,802,836
Long service leave entitlements	81,456	85,623
Accident Compensation Levy	27,835	28,880
National Provident Fund	139,175	144,398
Total personnel costs	**2,901,845**	**3,061,737**

The average number of persons employed including part-timers during the year is 84 (2014: 88).

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:

Lavea Tupaimatuna Iulai Lavea	-	Chairperson and CEO, Ministry of Finance
Tugaga Tevesi	-	Government appointed
Peseta Margaret Malua	-	Government appointed
Sauimalae Malolo Chu Ling	-	Government appointed
Loau Keneti Sio	-	Government appointed
Peseta Peter Tone	-	Government Appointed
Sofaea Alo	-	Resigned - 5 February 2015

Director's fees, benefits and board expenses of $117,710 (2014: $99,809 was paid during the year including sitting allowances. Directors appointed from Government Corporations and Ministries do not receive director's fee and do not receive sitting allowances. Government regulations specify that directors' fees are $1,625 per quarter and the sitting allowance is$250 per meeting. A 15% withholding tax on both sitting allowance and directors fee is withheld per MOF circular memorandum.

ii. *Audit Committee*

The Audit Committee during the financial period comprise of:

Sofaea Alo	-	Chairperson (resigned)
Sauimalae Malolo Chu Ling	-	Member
Loau S Keneti Sio	-	Member

iii. *Risk Management Committee*

The Risk Management Committee during the financial period comprise of:

Peseta Margaret Malua	-	Chairperson
Tugaga Tevesi	-	Member

iv. *Board costs*

Board of Directors expenses are as follows:

	2015	2014
	$	$
Directors fees and allowances	48,728	53,200
Audit committee allowances	1,828	1,403
Risk management committee allowances	-	-
Membership fees	6,000	5,000
Meeting expenses	5,191	3,363
Other cost	56,464	36,843
Total Board of Directors expenses	**118,210**	**99,809**

v. *Key management personnel costs*

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

	2015	2014
	$	$
Salaries and short-term employment benefits	215,797	407,752
Employers contribution to:		
National provident fund	10,790	22,071
Accident compensation commission	2,158	4,414
Total key management personnel costs	**228,745**	**434,237**

10. Income tax

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

	2015	2014
	$	$
Current income tax (expense)/benefit	225,488	1,676,189
Current income tax benefit not recognised	(225,488)	(1,676,189)
Deferred tax expense/(income) on origination and reversal of temporary differences	279,967	351,534
Recognition of deferred tax balances	-	-
Income tax (expense)/benefit recgonised	279,967	351,534

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

	2015	2014
	$	$
Net (Loss)/Profit	(1,872,054)	(4,906,128)
Prima facie income tax benefit at 27%	(505,455)	(1,324,655)
Income tax benefit not recognised	225,488	1,676,189
Income tax (expense)/benefit not recognised	(279,967)	351,534

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

Temporary differences	Opening balance $	Charged to income/additions $	Closing balance $
Property, plant and equipment	(455,003)	358,420	(96,583)
Provision for doubtful debts	3,692,039	466,236	4,158,275
Provision for annual leave	49,339	(17,558)	31,781
Unrealised Gain on currency translation	0	0	0
Current year deferred tax asset on loss	0	(527,131)	(527,131)
Net deferred tax assets	3,286,375	279,967	3,566,342

10. Income tax continued

(iv) Deferred tax assets on net losses not recognised

The movement in unrecognised deferred tax assets is as follows:

	2015	2014
	$	$
Opening balance of unrecognised tax losses	4,994,599	3,318,410
Unrecognised Tax on Loss	225,488	1,676,189
Closing balance of unrecognised tax losses	5,220,087	4,994,599

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

	2015	2014
	$	$
Balance brought forward	43,026	36,824
Withholding tax for the year	3,962	6,202
Balance carried forward	46,988	43,026

11. Equity investments

Details of equity investments are specified as follows:

	2015	2014
	$	$
Tropic Resort Ltd (15% 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 but the investment is still valid.

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 2013	50,990,920	0	5,651,034	769,004	57,410,958
Additions		124,604	54,935	80,000	259,539
Internal transfers to/(from)	-		-	-	-
Disposals	-	-	(79,255)	-	(79,255)
Balance as at 30 June 2014	50,990,920	124,604	5,626,714	849,004	57,591,242
Additions	-	137,905	55,773	-	193,678
Internal transfers to/(from)	82,310		-	-	82,310
Disposals	-		(147,474)	(76,000)	(223,474)
Balance as at 30 June 2015	51,073,230	262,509	5,535,013	773,004	57,643,756
Accumulated depreciation					
Opening balance 1 July 2013	6,091,804	-	3,359,250	455,252	9,906,306
Disposals	-		(76,361)		(76,361)
Depreciation charge for the year	996,657	2,559	327,111	127,570	1,453,897
Balance as at 30 June 2014	7,088,461	2,559	3,610,000	582,822	11,283,842
Disposals			(200,051)	-	(200,051)
Depreciation charge for the year	1,013,119	41,831	329,103	94,379	1,478,432
Balance as at 30 June 2015	8,101,580	44,390	3,739,052	677,201	12,562,223
Net carrying amount 30 June 2014	43,984,769	122,045	2,016,714	266,182	46,389,710
Net carrying amount 30 June 2015	42,971,650	218,119	1,795,961	95,803	45,081,533

The land and buildings are used as security for the loan with the ANZ Bank which has been reclassified as managed funds under term liability. On 14 March 2012, Cabinet approved for UTOS to refinance the loan from ANZ Bank (refer Note 20). Work in Progress relates to the Bank’s new Office in Savaii.

13. Loans to customers

Gross loans analysis

	2015 $	2014 $
Portfolio under Stimulus Packages	30,871,023	58,574,470
Other Loans	125,634,253	82,427,932
Gross loans	**156,505,276**	**141,002,402**
Gross loans	156,505,276	141,002,402
Less: Specific provision	(8,295,369)	(7,906,230)
: General provision	(7,071,769)	(6,307,135)
: Interest suspended	(2,762,503)	(2,966,845)
Total Loans	**138,375,635**	**123,822,192**
Non current portion of loans	120,386,802	110,560,924
Current portion of loans	17,988,833	13,261,268
	138,375,635	**123,822,192**

Refer Notes 27 for Protfolio on Stimulus Packages

Provision for doubtful loans analysis

	2015 $	2014 $
Specific provision		
Balance at the beginning of the year	7,906,230	7,751,643
Transfer from General Provision	389,139	-
Transfer from Interest Suspended	-	1,511,661
Write off as bad debts against provision for doubtful debts	-	(1,357,074)
	8,295,369	7,906,230
General provision		
Balance at the beginning of the year	6,307,136	3,304,119
Charge to income statement	1,508,020	412,000
Write off as bad debts against provision	(354,248)	(41,959)
Transfer to Specific Provision	($389,139)	
Transfer to/(from) interest suspended		2,632,976
	7,071,769	6,307,136
Interest Suspended		
Opening balance	2,966,845	7,303,796
Additional Interest suspended	358,578	87,505
Recovered	(562,920)	(279,819)
Transfer to provision	-	(4,144,637)
	2,762,503	2,966,845
Total provision for doubtful debts	18,129,641	17,180,211

13. Loans to customers (continued)

Impaired and past due assets analysis

	2015	2014
Non accrual loans with specific provision for impairment	$	$
Gross	32,946,815	10,814,415
Less suspended interest	(1,243,126)	(1,364,719)
	31,703,689	9,449,696
less specific provision	-	-
	31,703,689	9,449,696

Past due loans	2015	2014
	$	$
Gross	14,458,155	18,081,138
less suspended interest	(2,762,503)	(2,966,845)
	11,695,652	15,114,293

14. Cash and cash equivalents

Details of cashand cash at bank are as follows:

	2015	2014
	$	**$**
Cash at banks	2,724,217	5,979,026
Petty cash	5,030	5,030
Total cash at bank	**2,729,247**	**5,984,056**

15. Term deposits

Details of term deposits are specified as follows:

	2015	2014
	$	**$**
Term deposits	68,478	66,987

Term of the deposit is 3 months at the rate of 2.8% matured on 13 September 2015.

16. Other receivables and prepayments

Details of other receivables and prepayments are specified as follows:

	2015	2014
	$	$
Dividend- Tropic Resort	64,000	32,000
Prepayments	153,456	155,603
Tenants rent and power	280,802	233,219
Other debtors and accruals	48,597	103,216
Ministry of Finance	1,931,500	1,931,500
Provision for doubtful debts	(33,881)	(15,516)
	2,444,474	**2,440,022**

The balance under MOF represent 50% of the lost interest on Stimulus Packages to be financed by the government as approved per FK (13)13 and FK (13)25.

17. Land held for resale

The list below summarises the land now 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.

	2015	2014
	$	$
Land	1,272,321	1,272,321

18. Due from shareholder

Details of due from shareholder are specified as follows:

	2015	2014
	$	$
Opening Balance	128,875	63,462
Received from MOF	(63,462)	
Exchange difference arising under the European-Economic Community Loan (Note 19)	58,683	65,413
Total due from Government at year end	**124,096**	**128,875**

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 2015 with these covenants. Interests on borrowings for the year amounted to $3,659,725 (2014:$3,636,077).

	Current $	Term $	2015 Total $	2014 Total $	Interest rate per annum
IDA 15820	253,608	3,215,354	3,468,962	3,722,570	6%
ADB 6th Credit Line	473,489	1,128,551	1,602,040	2,075,529	6%
EEC	130,872	273,649	404,521	535,393	1%
EIB GL IV	-	-	-	903,542	6%
EIB GL V	1,322,767	-	1,322,767	2,645,546	6%
EIB GL VI	2,638,037	9,051,449	11,689,486	14,327,523	5.5%
EIB GL VII	100,213	7,925,767	8,025,980	8,126,194	3.9%
NPF 2	218,229	9,417,372	9,635,601	9,853,488	8%
NPF 3	361,757	6,692,682	7,054,439	7,369,774	8%
NPF3 FT	74,169	2,379,453	2,453,622	2,523,738	6%
CBS Tsunami Credit Line	-	-	-	1,033,046	3%
CBS 2	346,562	2,182,505	2,529,067	2,871,432	3%
CBS 3	569,774	3,531,317	4,101,091	4,664,105	3%
CBS 4 Evan	1,975,439	34,861,111	36,836,550	38,811,988	1%
CBS 5 SIDS	959,428	28,838,221	29,797,649	17,500,000	3%
CBS 6	536,028	9,463,972	10,000,000	-	3%
TOTAL	**9,960,372**	**118,961,403**	**128,921,775**	**116,963,868**	

Terms and conditions and principal repayment terms

IDA 15820– DBS prepared a schedule for repayment but there is flexibility in this program which allows the Bank to manage repayment to its cash flow position. Payments are to meet accrued interest first.

ADB 6th - Interest to be paid quarterly starting 1st September 2004 with principal repayments starting 1st September 2006, final payment 1st June 2018. Repayment amounts are $146,875 per quarter.

EEC - 15th November 1989 to 15th May 2019. Repayment amounts are $65,274tala per 6 monthly.

EIB GL IV - 25th September 2004 to 25th September 2014. Repayment amounts are $903,603tala per annum. Loan was settled in September 2014

EIB GL V- 15th November 2006 to 15th November 2015. Repayment amounts are $1,322,773tala per annum

EIB GL VI - 15th September and 15th March until 2020. Repayments are biannually commencing September 2009. Repayment amount is approximated at $2.6milliontalaper annum.

EIB GL VII –Biannual interest repayment commenced in February 2012 at US$5,060.09 per six months. Principal repayment started on 30 July 2013 at approximately $650k every six months.

NPF 2 - Monthly repayment of $37,350 effective September 2010 to cover interest and increase to $83,000 after 12 months to cover interest and principal. Term is 22 years. Interest is 8%

NPF 3 –New $10million loan approved in March 2012, repayment started in February 2013. Maturity is 15 years at $74,333 per month. Interest is 8%

NPF 3 FT- Part of NPF3 but at a recorded interest rate of 6%, repayment of $18,628 per month for 20 years

CBS 1–Tsunami Credit Line, Maximum maturity of 5 years with 12 months grace period on both principal and interest. Monthly repayment of $100,000. Loan was settled in May 2015.

CBS2 - Maximum maturity of 5 plus 5 years with 3 months grace period on both principal and interest. Repayment of $35,318 commenced in July 2011.

CBS 3- Credit for other developments, repayment of $57,936 per month for interest and principal. Term is 5 plus 5 years

CBS CYCLONE EVAN CREDIT LINE- New Loan approved by Cabinet for Cyclone Evan Rehabilitation for Hotels and Other developments. Total Loan approved is $39million. Interest is 1% and term is 15years with one year grace period. Repayments amount and term proportionate to amount of disbursement.

CBS 5 -SIDS CREDIT LINE- A new $30million credit line approved by the Cabinet to finance accommodations for the SIDS Conference and Commonwealth Youth Games. Interest is 3% and term is 15years. Repayment amount and maturity is proportionate to amount and date of disbursement

CBS 6- New $10 million Credit Line from CBS to fund normal lending. Interest rate is 3% for 15 years and repayment is $69,576 per month

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 2015, 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 $26% (2014: 27%)-complied
- Non-Performing Loans to total loans is 8% (201: 5%)-complied
- Provision for loan losses to non-performing loans is 147% (2014: 237%)-complied
- Liquidity ratio is 2.1:1 (2014 2.1:1)-complied

The Bank has been in regular communication with EIB on financial position and ratio compliance. EIB is aware and the Bank has provided all information and explanations required with regards to compliance with all finance ratios. The Bank continues to update EIB on the progress every 6 months

20. Long term liability to managed funds

The bank managed on behalf of the Government of Samoa and other agencies the following funds:

	2015	2014
	$	$
Micro Credit Scheme	-	1,000,000
Loan with UTOS	13,058,042	14,247,934
Total managed funds	13,058,042	15,247,934
Micro Credit Scheme transferred to term liability	-	1,000,000
Transferred to long term liability	13,058,042	15,525,795
Transferred to capital and reserves	1,189,892	(1,277,858)
Long term liability	**14,247,934**	**15,247,937**

The Micro Credit Scheme is part of the ADB Project to assist small business developments for women at grass root level. The scheme was recorded initially as borrowing from the Government of Samoa under the ADB assistance. In September 2008, Government approved to transfer the administration of this scheme to the Bank and the balance to be utilized as a revolving fund for lending to micro projects. The capped amount is $1million tala and the balance has been transferred to managed funds as term liabilities. IN June 2015, the Board of Directors approved transfer of the Governments Contribution to Micro Scheme of $1 million to Equity and any new projects will be funded from the Banks cash flow.

In July 2009, Government approved and took over the commitment to pay for the Bank's loan with ANZ Bank with monthly repayment of $196,328.68. On 18 June 2010, the Ministry of Finance approved the reclassification of this loan from borrowings to managed funds under term liabilities. This change will have a significant positive impact on the Bank's financial performance and also reflects the significance of Government's assistance to the Bank's profitability as well as centralizing the management of Government's funds. On 14 March 2012, Cabinet approved for UTOS to refinance the loan from ANZ Bank and Government will make payments direct to UTOS. The term is 13 years at 7.5% with monthly repayments of $200,000. The treatment of Government's contribution remains as capital injection.

At 30 June 2015, $2,199,993 has been contributed to loan repayments and interest expense totalled $1,010,101. This resulted in net contribution by Government of $1,189,892 which has been transferred to Government reserves per Note 23.

21. Other creditors and accruals

Details of other creditors and accruals are specified as follows:

	2015	2014
	$	$
Provision for long service leave and annual leave	117,707	182,738
Portfolio credits	95,986	101,592
Accrued interest on borrowings	501,230	476,408
Savings on micro credit scheme	11,117	56,620
Guarantee fees	322,017	387,071
Other creditors and accruals	274,582	298,971
Provision for Audit fee	35,700	35,650
Total other creditors and accruals	1,358,339	1,539,050

Savings represent interest of 1.75% which is 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:

	2015	2014
	$	$
Authorised capital 50,000,000 ordinary shares @ $1 par value each	50,000,000	50,000,000
Issued and paid up capital	50,000,000	50,000,000
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:

	2015	2014
	$	$
Opening balance	10,765,495	9,332,379
Micro Credit transfer to Equity	1,000,000	
Add: Transfer from Managed Funds (Note 20)	1,189,892	1,277,858
Add: Guarantee fee capitalised	142,479	155,258
Closing balance	**13,097,866**	**10,765,495**

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
2015						
Cash	2,729,247					2,729,247
Term deposits		68,478				68,478
Loans	1,557,231	4,570,976	16,070,829	51,729,212	82,577,028	156,505,276
Borrowings		(4,122,678)	(9,739,559)	(39,420,090)	(75,639,448)	(128,921,775)
Total	4,286,478	516,776	6,331,270	12,309,122	6,937,580	30,381,226
2014						
Cash	5,984,056	-	-	-	-	5,984,056
Term deposits	-	66,987	-	-	-	66,987
Loans	795,404	2,577,585	9,888,279	36,948,536	90,792,598	141,002,402
Borrowings	-	(3,220,977)	(11,290,961)	(59,885,449)	(42,566,481)	(116,963,868)
Total	6,779,460	(576,405)	(1,402,682)	(22,936,913)	48,226,117	30,089,577

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 enable 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:

	2015	2014
	$	$
Industrial	130,416,107	106,975,481
Agriculture	11,188,939	13,557,737
Fishing	4,604,758	6,070,713
Infrastructure and Sociial development	3,590,618	4,868,831
Staff	3,077,780	3,928,986
SBEC	2,247,080	2,957,221
Others	854,673	1,788,209
Micro-finance	525,321	855,226
	156,505,276	141,002,404

CBS Credit Lines		
CBS Cyclone Evan Credit Line	38,080,735	38,018,068
CBS SIDS & Commonwealth Youth Games	28,670,818	5,090,885
CBS Normal Credit Line Facility	7,549,728	6,727,555
CBS Tsunami	2,993,452	3,239,734
SACEP	1,104,688	
	78,399,421	53,076,242

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 2014 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	
	2015	**2014**
Euro	12,094,007	14,862,916
USD	8,025,980	8,126,141

	Effect on the Income		
	5%	**10%**	**15%**
Euro strengthening	(604,700)	(1,209,401)	(1,814,101)
Euro weakening	604,700	1,209,401	1,814,101
USD strengthening	(401,299)	(802,598)	(1,203,897)
USD weakening	401,299	802,598	1,203,897

26. Capital commitments and contingent liabilities

The board has approved a capital budget of $50,000 for the year 30 June 2015 (2014: $230,000).

As of 30 June 2015, the Bank had no contingent liability or asset (2014: NIL)

27. Stimulus Packages

Cabinet has approved the Stimulus Packages for major clients in Tourism and other developments. The stimulus packages were developed to provide relief to borrowing obligations and to address concerns raised by the government regarding unfavourable global economic condition, downturn in tourism activities and the continuous effects of natural disasters. The stimulus packages provide affordable terms to ensure sustainability of these developments to meet operations, commitments and to ensure positive contribution to the economy. The estimated cost of the packages is $7.726million and cabinet has approved government's assistance in subsidising $3.863million or 50% of the costper FK (13)13 and FK (13)25. The Bank has received $1.9315m from MOF for the Interest subsidy in 2015. Total balance of portfolio under stimulus packages at 30 June 2015 is $30,871,023. (Refer note 13). Certain conditions must be complied by the borrowers who have been awarded the stimulus package. Compliance with these conditions will be assessed post 30 June 2014.

The Bank has revised its projection taking into account the effects of the stimulus packages and will continue to bear the cost within the next financial year. Assistance from the government in financing half of the cost of the stimulus package as approved by the government will facilitate additional loans and finance the banks obligations.

28. Continued government support

The bank is currently having difficulties with collectability of income from loans to sustain its cost. The Bank develops stimulus packages approved by the Cabinet to assist tourism and other major developments. This affects and will continue to affect the financial performance of the Bank for the next 3 years. The government is subsidising half of the cost and the Bank bears the other half(refer note 27).The bank suffered a loss of $1,644,122tala (2014: loss of $4,554,594tala) as seen in the financial performance due to the stimulus packages and challenging economic conditions.

The government as the primary shareholder has agreed to support the Development Bank of Samoa and has pledges to underwrite its debt obligation should the Bank face financial difficulties.

29. 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 2015.