

30 October 2016

The Honourable Speaker
Legislative Assembly of Samoa
MULINUU

Dear Sir

In pursuant of Section 15 of the Samoa National Provident Fund Act 1972, I present to the Legislative Assembly for discussion, the Samoa National Provident Fund's Annual Report for the financial year ended 30 June 2016.

The main objective of the Samoa National Provident Fund is to improve coverage of the scheme to include all workers in the country, collect contributions promptly and invest these funds to generate returns for members. Interest is declared annually and is added to members' contribution funds.

Aspired to accomplish its VISION: Providing for a Secured Quality Living

And MISSION:

- **EXTEND** - coverage to all workers
- **PROVIDE** - efficient and effective services through best practices
- **MAXIMISE** - benefits to members

Yours faithfully,



Hon Sili Epa Tuioti
MINISTER OF FINANCE

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Member contribution

increased by 7% to
\$533 million
from
\$497 million
in 2015

Fund's active
members
increased to
32,548 from
31,744 at a
rate of **2.5%**

Loans to the value of
\$119 million
were disbursed in 2016,
an increase of 37%
when compared to
\$87 million
in 2015

Total Net Assets
increased by 7% from
\$542 million
in 2015 to
\$578 million

Total
contribution
withdrawal is
\$44 million an
increase of 2%
compared to
\$43 million
in 2015

Interest credited to
members on 30 June
2016 at 7% totalling
\$33.5 million,
an increase of 3 %
compared to
\$32.5 million
in 2015

Contributions
collected was
\$64 million,
an increase of 21%
compared to
\$53 million
in 2015

BOARD OF DIRECTORS



Standing: LR – Rev Rimoni Wright (*Churches' Rep*), Sala Pesamino Niupulusu (*Farmers' Rep*), Patrick Rasmussen (*Manufacturers' Rep*),
Namulauulu Sami Leota (*Employers' Rep*), Masoe Norman Wetzel (*Employers' Rep*)

Sitting: LR – Faumuina Esther Lameko-Poutoa (*Chief Executive Officer*), Lavea Iulai Lavea (*Chairman-CEO Ministry of Finance*),
Lealiiie Rudy Ott (*Private Sector Employees Rep*), Sa'u Taupisioletoga Faamau (*Public Sector Employees Rep*)

We are happy to report on another successful year. The Fund has grown over the half a billion mark this year. It reported an increase of 2% from its investment income. Interest from its investment activities has proven to be the major revenue earner this year. Lending policies were amended allowing for competitive interest rates with terms and conditions to take advantage of opportunities available and to be an effective and competitive player in the financial system. This strategy was successful proven by the growth of the Investment Loans portfolio during the year. Expenditure was tightly controlled which resulted in maintaining spending at actual 18% below budget.

ACTIVITIES AND PERFORMANCE OF THE FUND

Operating and Financial Performance

Coverage has increased this year by 2.5% with active members at 32,548 compared to 31,744 in the previous year. We conducted our awareness campaign to continuously improve coverage. Despite a moderate economic growth of 2% experienced in our country by the end of the financial year, SNPF reports a strong financial year evident by the growth of 2% profits compared to 2015. Net profit from Investment was below 6% budget due to foreign currency loss in offshore investment. Nevertheless this is envisaged to improve in the next financial year given new strategies implemented during the year. The net asset value has grown by 7% to \$578 million by the year end.

Future Outlook

The Fund continues to foresee growth in its financial performance and position. We will continue to monitor our expansionary efforts relative to our investments offshore and lending products. But it is also important to manage risk relative to each investment activity. The Board shall ensure that we have the adequate portfolio mix to ensure that we earn the expected returns

for our members. The Board is planning to acquire a new ICT infrastructure which will drive and continuously improve our business.

CAPITAL & DIVIDEND INFORMATION

In a tough and challenging economic environment, the Board was able to declare a competitive interest of 7% for members. The cost to the Fund was \$33.5 million.

DIRECTORS' INFORMATION

The Board endeavours to uphold corporate governance as to ensure that the best interest of its members are protected. The Board held 13 meetings, the Investment Committee held 4 meetings and the Audit Committee held 2 meetings during the year.

It is envisaged that the Board will continue to work with the management team to achieve better targets and milestones for the Fund.



Lavea Tupa'imatuna Iulai Lavea
CHAIRMAN - BOARD OF DIRECTORS

EXECUTIVE MANAGEMENT



Sitting: LR - Peter Groen (*Chief Information Officer*), Tuiloma Leleua Faitasi Gae'e (*Manager Senior Citizen Benefit Fund*), Faumuina Esther Lameko-Poutoa (*Chief Executive Officer*), Lealali Mapuona Mulitalo (*Manager Internal Audit*)

Standing: LR - Petra Chan Tung (*Chief Investment Officer*), Tanya Toailoa-Lagaia (*Manager Member Services*), Larina Alagi Lemisio (*Manager Corporate Services*), Sine Lafaialii-Koria (*Manager Legal*) Alice Niumata-Leota (*Chief Financial Officer*)

CHIEF EXECUTIVE OFFICER'S REPORT

It is with great pleasure that I report on the performance of the Fund for this financial year ended 30 June 2016. The Board and staff have worked hard to improve the financial and non financial performance this year. It has been a good year.

HIGHLIGHTS FOR THE YEAR

Notable achievements accomplished during the year include:

(i) Competitive Lending Products

The revised lending strategy was a success this year proven by a growth of circa 7% in the Investment Loans Portfolio by year ended. We have taken an all inclusive approach to assist our members from every sector, at any salary level to acquire assets essential for their family development fostering sustainable development in the long term. It has also opened opportunities for employers from small to medium sized entities and even bigger companies to access finance for business development. Our various loan products have assisted many to acquire vehicles, land, houses, business expansion and even starting a new business.

The Association of Development Financing Institutions in Asia and Pacific (ADFIAP) recognised the Fund's assistance through loans for community and business growth and received an award under 'Financial Inclusion' category during its 2016 award ceremony.

(ii) Samoa Submarine Cable Company

The Fund invested 20% equity holdings with the new Samoa Submarine Cable Company in July 2015. The new company behind the cable project envisaged to improve the quality of connection and lower the price for Internet services in Samoa with huge potential of customer basis across the Pacific region. This new investment is expected to provide a cumulative internal rate of return on equity of 10%.

(iii) Tourism Industry Investment

Given the new development in the tourism industry, the Fund purchased additional shares in Sheraton Samoa (Aggey Grey's Beach Resort) valued at \$16.5 million. There are high expectations for improved returns from Sheraton Samoan with the new management company running the resort.

To diversify the loan portfolio, the Fund sealed a \$20 million investment with Taumeasina Island Resort. This investment will provide confirmed income stream for the next five years. There is also the option of converting to shares at face value with access to dividends in the long run.

(iv) Information System Infrastructure

The board has worked to acquire a new ICT infrastructure which is still in the process of getting government approval. This is still a priority over the next three years to make use of newly available technology to improve business.

(v) Minimum Contribution Increase from 5% to 6%

Members' contributions collected increased to 25% as a result of increase in minimum contribution from 5% to 6% during the year. The final increase to 7% came into effect on 1st July 2016. Members will enjoy the increase in savings at retirement age from this new initiative.

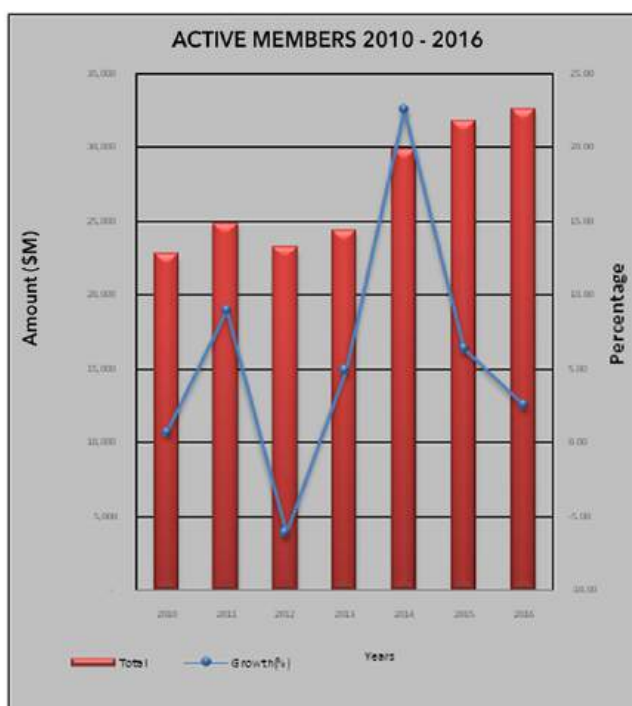
OVERVIEW OF OPERATING PERFORMANCE AND RESULTS

MEMBER SERVICES

ACTIVE MEMBERS

The number of active members at year end was 32,548, an increase of 804 or 2.5% when compared to the previous year of 31,744. The number of active members has been consistent over the years showing gradual growth as shown in Graph 1. However there was a slight drop in voluntary members from 41 to 39, a 5% decrease. This is a group that the Fund is actively trying to increase, and as such a partnership with the Ministry for the Prime Minister & Cabinet has been established so that workers going to New Zealand under the Seasonal Workers Scheme or the Christchurch Rebuild Effort will register as voluntary workers. This will provide these members and their families with many benefits including access to credit facilities and loan schemes such as Housing or Land Loans.

We believe that there are still many workers who have yet to register as members of the Fund, and thus an awareness campaign encouraging

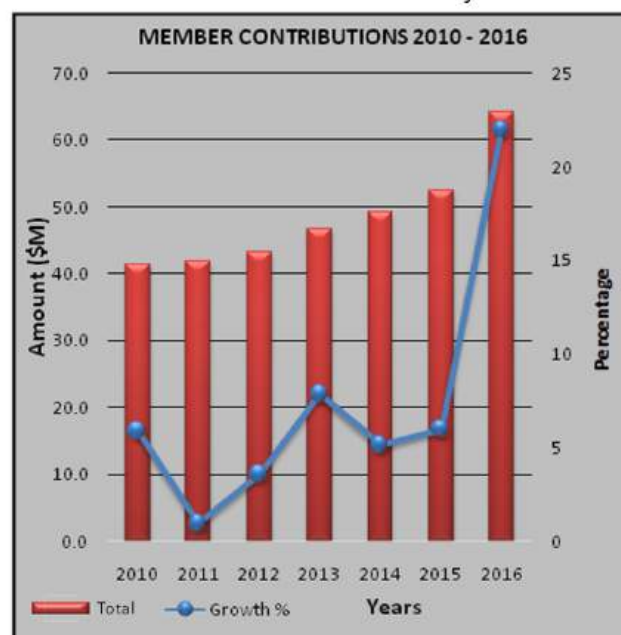


Graph 1

members to register was launched. This campaign highlights the benefits of being a member (including access to competitive loan products and an annual dividend) and encouraged members to save for their children's tertiary education via the Education Fund. The television ads were well received and this is reflected in the increase of new member registrations from 4025 in the previous year to 4658 this year (a 16% increase).

CONTRIBUTIONS

Members' Contributions collected during the year was \$65 million, an increase of 25% when compared to \$52 million in the previous year, as shown in Graph 2. This notable boost was due to the increase in the minimum contribution amount from 5% to 6% of gross salary/wages from both the employee and employer which came into effect on the 1st July 2015. The final increase from 6% to 7% came into effect on 1st July 2016.

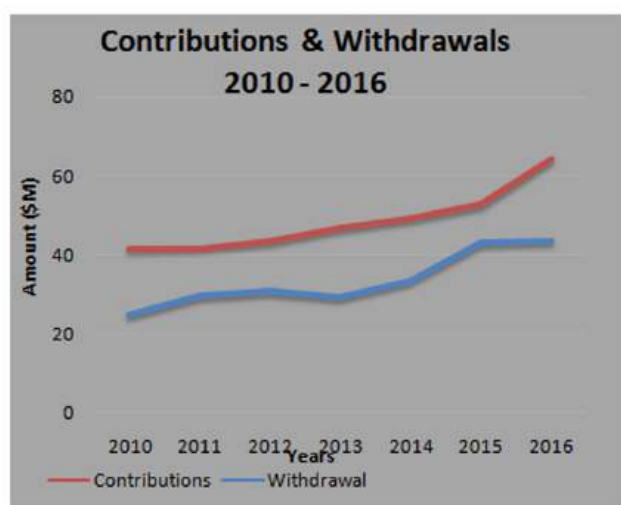


Graph 2

WITHDRAWALS

The trend over the years from 2010 to 2016 relative to total members' contributions growth and withdrawals made are shown in Graph 3.

Withdrawals made during the year totalled \$44 million, just a slight increase of 2% compared to \$43 million in the previous year. The bulk of withdrawals are for members turning 55 followed by overseas citizens/residents departing Samoa.



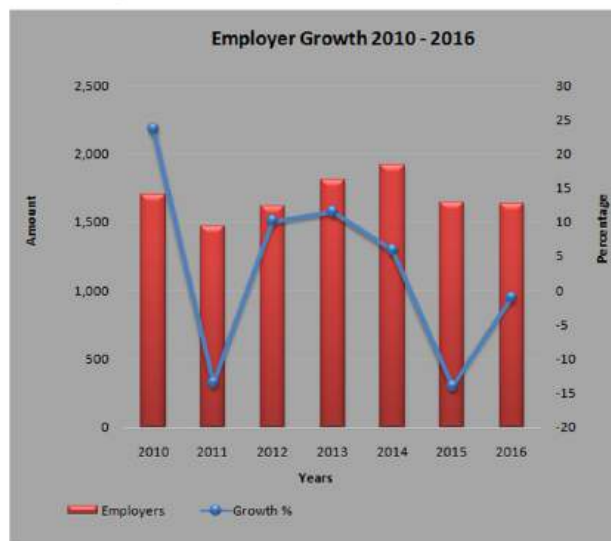
Graph 3

EMPLOYERS

Employer numbers are reflected in Graph 4 with a total count of 1630 at year ended. Although 169 new employers registered this year, many more were confirmed as inactive or no longer in operation and thus the overall drop in active employers from 1643 in the previous year to 1630 this year. But the Fund has more confidence in this number, albeit at a lower count, as its accuracy is reflected in the increase in active members despite the removal of a large number of defunct employers.

Some employers struggle to meet their obligations in paying employees' contributions, but despite this, most are amendable to paying off their outstanding in instalments. In recovering outstanding contributions, the Fund places importance on building relationships with employers so that there is a mutual effort to remedy the situation. However, when employers have significant outstanding in addition to being non-responsive then these matters are handled by the Legal Department to ensure all legal

avenues are explored to ensure members' interests are protected.



Graph 4

Improvement to Processes

The Fund recognises that member and employer services can be greatly improved especially in light of technological advances now available. So this year the Fund is in the process of selecting the best ICT system to replace its current system. It is envisaged that this new system will be live come the next financial year and should greatly improve efficiency, access to information and faster services to both members and employers. In the meantime, the Fund has tried to streamline its processes so that service is fast and efficient. The department is now fully staffed so that the reception is always manned by at least two staff at all times. The process for withdrawal of contributions is clearer and all departments are in sync as to the expected time-frames for processing and payment. The area for serving members who are withdrawing has been reorganized so that members are much more comfortable. Employer queries are handled quickly and are provided with all the information they require.



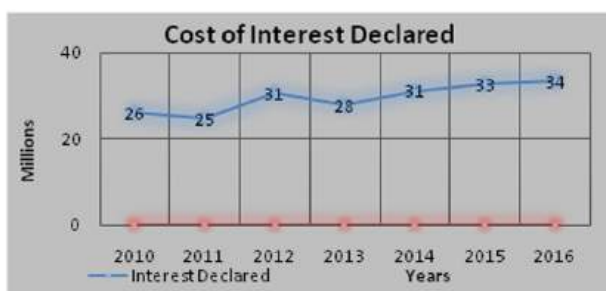
Enjoy
RETIREMENT PENSION from NPF



Purchase
LAND, HOUSE
and **CAR** through NPF

Interest/Dividend

The Board approved and declared an interest of 7% to be credited to members' contribution accounts at a cost of \$33.5million shown in Graph 5.



Graph 5

Death Benefit

The Special Death Benefit is \$5,000. Total Death benefits paid out during the year was \$846,500, an increase of 39% when compared to the previous year at \$610,966.

Pension Scheme

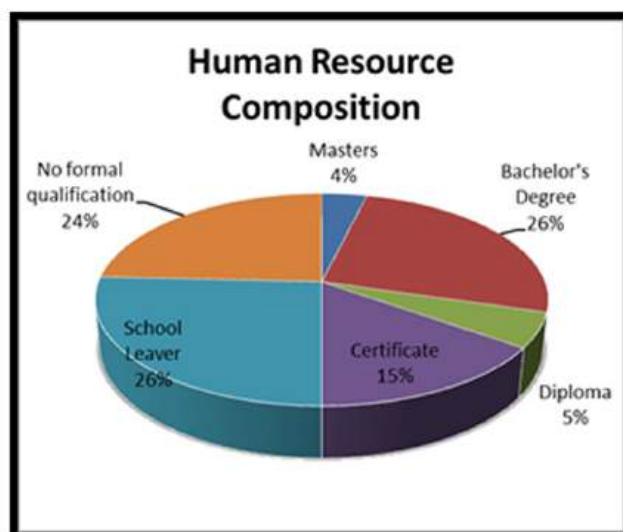
For the Retiree Pension Scheme, 184 pensioners remained at year end, an increase of 9.5% when compared to 168 in the previous year. A total of 111 beneficiaries remained at year end, an increase of 11% when compared to 100 in the previous year. This increase was due largely to pensioners/beneficiaries who were able to contact our office to confirm their continued existence and provide proof of life, thus the Fund was able to back-pay the amounts that had been ceased and continue their pensions. There was only 1 new pensioner (i.e. a member who opted for a life-time pension as opposed to a full withdrawal of contributions) for the entire year. The total cost of the retiree pension for the year was \$710,393, an increase of 10% when compared to \$647,847 in the previous year. The pension pool was \$4.3million at year end, a very slight decrease from \$4.4million in the previous year. A transfer of \$353,331 was made to the Pension Pool during the financial year.

CORPORATE SERVICES

Human Resource

The Human Resource provides an important role in the Fund whereby we recruit and retain best talents, design annual training plans; organize internal trainings to maximize their performance and to enhance further learning and individual development. Trainings are provided for staff in crucial technical areas such as customer services, financials, investment and member services. Majority of management have attended leadership programs to ensure professional development during challenging journey. Human Resource encourages further studies whereby flexible hours are offered so that employees can attend classes during working hours. Financial rewards for courses successfully passed and completion of qualification as well as special leaves for study and exams are benefits available for employees who are willing to develop themselves academically. This is an effort to ensure that staff is highly qualified and at the same time assist them in their career path.

The current HR composition at the Fund is shown in Graph 6:



Graph 6

The majority of our Management and Senior Officers are Masters and Bachelor's Degree holders. There has also been an increasing number of staff with Bachelor's Degree qualifications. We also have employees who are studying part time courses towards a Degree qualification. Bachelor degree holders have increased by 4% since the last financial year. There are also a number of school leavers who are employed in the senior and Officer Level who have been long serving employees of the Fund. Our clerk level positions are mainly in the Certificate category particularly those with Foundation Certificate. Our supporting staff that includes the night-watchmen, cleaners and drivers is under the category with no formal qualifications.

Staff Development

We organised an annual training programme for staff and we covered the following areas:

- ✓ Staff training on actual performance and expected target areas
- ✓ Induction training for new recruits
- ✓ Setting strategies and time management training sessions
- ✓ Member services trainings on Withdrawals and Queries
- ✓ Training on investment policies and lending products
- ✓ Management attending trainings on Skills on how to be an effective team leader, Leadership and Motivation and Leadership Samoa
- ✓ Finance training on the new computerised payroll system called Smooth-pay Gold

Employment performance appraisals are done bi-annually in the financial year whereby the performance of each individual staff members are evaluated and measured focusing on their objectives, expectations and result areas. Rewards in terms of bonuses and salary increments are based on performance quality. We also present annually an 'Employee of the Year Award' in two categories for Management and the General Staff (Senior Officers to Supporting Staff).

CUSTOMER SERVICES

The quality of customer service is very important in the Fund's daily operations. Management has continuously addressed this issue with the staff to improve customer satisfaction level.

Members can now check their balances via Digicel mobile phones. This is one way to ensure that our service to our clients is convenient. Our website and Facebook page have also been regularly updated to cater for our members as nowadays many people have internet access and there we provide the latest information about our products and services. Members can also view our Quarterly Newsletter on our website.

The Fund continues to monitor the quality of our customer service delivery to the public through:

- ✓ Staff Performance Assessment conducted bi-annually
- ✓ Departmental Annual Plan Review
- ✓ Monthly and Quarterly Management Meetings
- ✓ Monthly staff meetings
- ✓ Annual customer service survey
- ✓ Customer care in-house trainings



Register with **NPF**



Education Fund with **NPF**

LEGAL

The total value of Investment loans with the Legal Department at the beginning of the year was \$16.9 million, which equates to 15.8% of the investment loans portfolio and 5.4% of the total loans and advances of the Fund.

At the end of this financial year, total investment loans with the legal department had decreased to \$10.4million, which is 8% of the investment loan portfolio and 3% of the total Loans and Advances of the Fund. The legal department continues with its recoveries of investment loans to ensure that the investment loan portfolio with Legal continues to decrease.

Collection of members' contributions was also pursued by the department. At the beginning of the year, arrears relative to members' contributions was \$584,834. This was reduced by 35.65% to \$376,056 at end of the financial year.

Contributions receipts were increased by 45% from \$303,555 to \$440,433 at the end of the financial year. With regards to surcharges, surcharge payments have increased by 129% from \$22,354 to \$51,291 in 2016. Surcharges arrears were also decreased by 16% from \$360,989 the previous year to \$300,402 at the end of the financial year.

The Legal Department is also pursuing other arbitration cases in the interest of the Fund.

INFORMATION TECHNOLOGY

ICT has played a significant role in the way the Fund performs and carries out its processes to become more efficient, effective and innovative through flexibility and mobility. It has also influenced the way we effectively and efficiently perform our duties, improve work flow and gradually moving towards digitizing all the Funds core operations.

ICT Infrastructure Upgrade

ICT infrastructure upgrade is a major project that the Fund treaded carefully in choosing vendors to design and implement a whole new Fund Management Information and Financial System.

The new system upgrade is aimed to improve services and easier access to reliable information for effective decision making.

Internet connection and access

Internet is crucial for access to vital information however staff always had limited access due to its high costs. Nevertheless ICT was able to negotiate a new internet plan for the Fund with current Internet Service Provider that has allowed more staff members internet access with strict internal controls.

AS400 data migration

To avoid loss of data and other AS400 system problems, AS400 data and library have been successfully migrated to a new AS400 server whilst awaiting the new Fund Management system. AS400 is an old system the Fund had been using since its establishment which will be upgraded in the near future.

Surveillance and network systems

Despite problems encountered in the surveillance system, ICT has ensured the network video recording server is functioning 24/7 and sufficient storage capacity of hard drive for all branches. Network cabling of the newly refurbished level 1 was a success by the ICT team. Telecommunication lines were also re-connected for the customers call centre.

INTERNAL AUDIT

Internal Audit continues to carry out its functions to satisfy our role as an independent, objective assurance and consulting activity designed to add value and improve the Fund's operations. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

As the mainstay of our work every year, our efforts were directed to a great extent to parts of operations whereby we had foreseen and experienced highest risks and had been the targets of errors and fraudulent activities. To that end we had mobilised our resources and time to upgrade our internal controls to raise them to a most

effective level to minimise errors and deter unpleasant activities from being carried out to the detriment of our organisation. The current financial year had witnessed our concerted efforts on the many Investment portfolios the Fund now operate for the benefit our members. Internal Audit had reviewed all schemes and their operations to make sure that all adhered compliance to policies and guidelines the Fund had set up for achieving our aims of achieving maximum returns for our investments. These schemes were also

checked for executing processes in an efficient and effective manner.

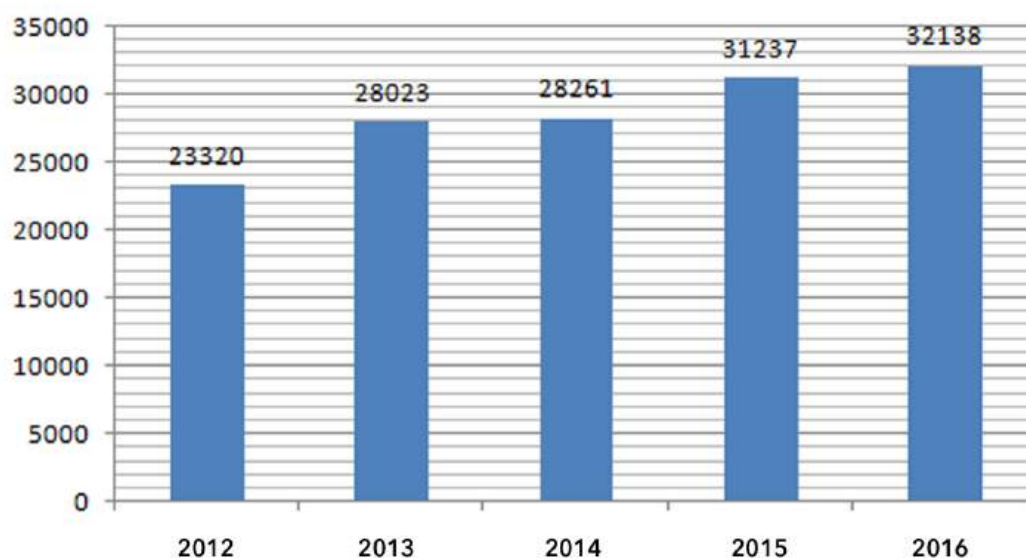
Our Audit Committee had worked closely with the Internal Audit department to ensure that our function continues to improve as to the significant role it must strive to upkeep for efficiencies in all areas of operations. The Internal Audit Charter requires the Audit Committee to meet once every quarter and we had been able to put up two meetings in the last financial year.

OVERVIEW OF FINANCIAL PERFORMANCE AND RESULTS

FINANCE DEPARTMENT

Every year, the Board approves an ambitious annual budget to outperform prior years and encourage management and staff effort to reach new performance horizons. For 2016, the Fund had a moderate financial year demonstrated by the 2% growth in reported profits compared to 2015 profits. This is contributed primarily to the 5% growth in interest revenue from the lending portfolio and the stringent controls over spending by maintaining actual expenditure at 18% below budget. In terms of budget expectations, the Fund's reported net profits from investments was slightly below budget by 6% solely due to the adverse effects of the offshore investment held in Australian Dollar when converted to Samoan Tala for reporting purposes.

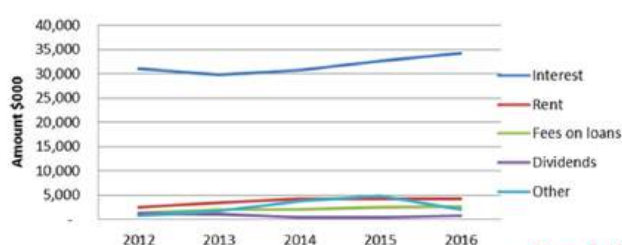
Net Profits from Investments (\$000)



Graph 7

REVENUE

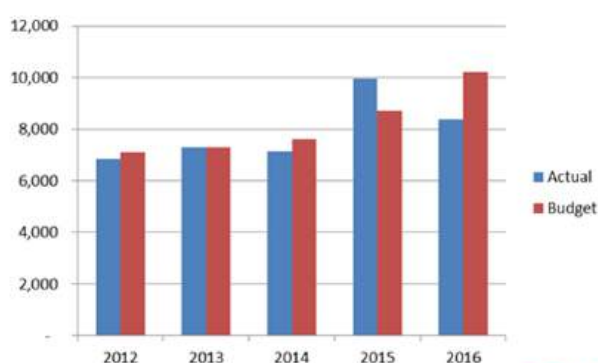
An overview of the past five years illustrates the Fund's heavy reliance on the interest revenue from its lending portfolio and its growth over the years shown in Graph 8. Despite the limited opportunities to diversify its earning capacity, other sources of revenue are slowly improving with the exception of dividends from current equity holdings. Management is currently reviewing existing equity investments and actively seeking lucrative investment opportunities such as the Samoa Submarine Cable Company.



Graph 8

EXPENDITURE

Total expenditure for the current year is 16% lower compared to prior year 2015, and in terms of the 2016 budget; actual costs were 18% below budget. Total spending is primarily driven by two major expenditure; i) Personnel costs and ii) foreign exchange losses incurred on the offshore investment with BlackRock. Personnel cost which is usually the main expense for the Fund is below budget by controlling staff overhead and overtime costs, and the foreign exchange losses was significantly below budget due to hedging efforts. Whilst all expenditure was below budget, it was noted that directors' fees was significantly above budget due to increase in directors remuneration approved by Cabinet which came into effect after the budget was prepared and approved.



Graph 9

FINANCIAL POSITION

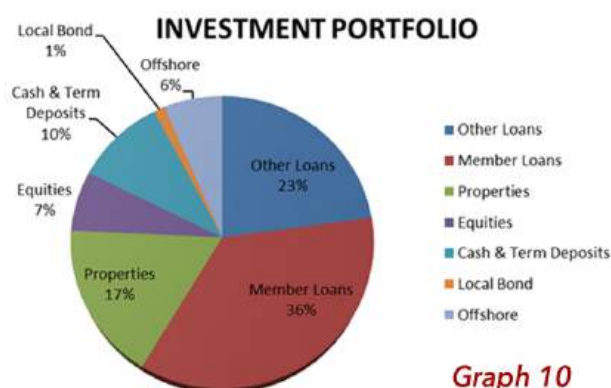
The Fund's operational activities generated a healthy net cash inflow of \$12million. The bulk of this cash inflow is mainly derived from contributions collected during the year less withdrawals by members. For its investment activities, net cash outflow of \$13million was required for loan disbursements and equity investments. Overall, the Fund recorded significant cash and bank balances of \$95.5 million as of June 2016.

While total assets increased significantly to \$581.4 million, total liabilities also increased marginally to \$3 million. The resultant increase in net assets of \$36 million was mainly attributed to the \$15.2 million increase in equity investments and \$25 million growth in the lending portfolio. A slight increase in total liabilities was recorded due to existing provisions as well as employer accounts holding receipted remittances but awaiting contribution schedules to offset receipts. Total contributions increased to \$532.8 million are mainly attributed to \$20 million net contributions received after withdrawals, and the 7% annual distribution credited to contributors' accounts. As of 30 June 2016, the Funds' statement of financial position remains strong with healthy cash reserves and an overall \$578.5 million net assets position.

INVESTMENT DEPARTMENT

INVESTMENT PORTFOLIO

The Investment Portfolio for the financial year ended adheres to the Strategic Investment Framework (SIF) targets with the aim of maximising returns for the Fund.



Graph 10

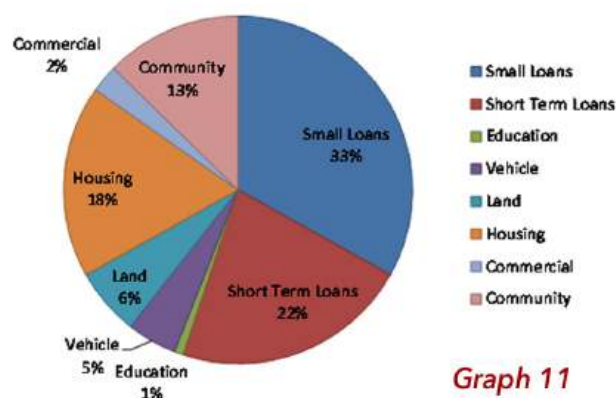
The value of Investment portfolio is \$581 million. It is primarily made up of loans and advances which account for over 58% of the total portfolio, properties at 17%, offshore investment of 6% and other investment asset classes (19%) to achieve a well-diversified portfolio for investment by the Fund. Graph 10 shows the breakdown of the Investment Portfolio.

The bulk of the portfolio is mostly invested in Samoa with 94% here while 6% is offshore. 36% constitute members loans which includes the commonly known small loans and short term loans. It is the most popular loan product with our members which also encourages a lot a people to be a member of NPF. 23% constitute other loans covering land, housing, business, community, education and other loans. This is where we play a crucial role in financing local projects to stimulate sustainable economic development in the country. We have assisted many of our members own property for the first time and build homes. We have also assisted a number of employers in extending their businesses and buying additional properties. One of our loan product is for community projects where we have assisted many churches in their various building projects. The composition of our lending

portfolio showing the different categories of loans processed during the year is depicted in Graph 11

17% of the Investment Portfolio comprise of our properties which include our Main Office Building, the NPF Plaza, the Yazaki Buildings, our office at Vaitele and others. 7% is invested in equities or shares in companies including Aggie Grey Beach Resort, CSL and CSL Mobile. This year, a significant 10% was in Term Deposits and Cash. This is similar to the previous year as we struggle to find investment opportunities that would provide adequate returns for the Fund in line with its policies. Only 1% is invested with the Unit Trust of Samoa.

LENDING PORTFOLIO



Graph 11

Housing Projects

Some of the Projects funded by the Fund include the following:



Community Projects Pictures



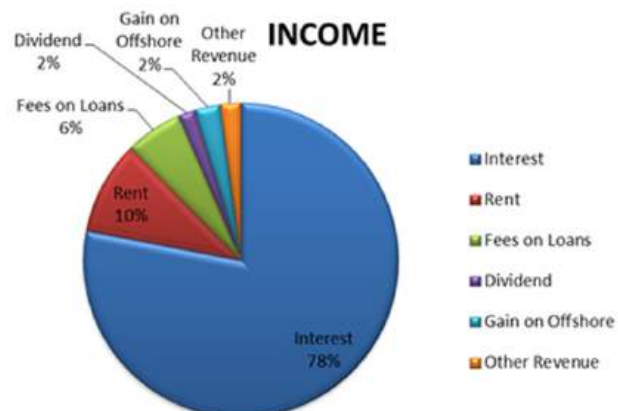
PROPERTIES

Properties portfolio continues to provide a stable investment performance with rental revenue during the year. One of the major projects completed during the year is the refurbishment of level 1 of the Main building. The objective of this refurbishment was to provide customers and staff convenience in terms of space and proper working environment.



INCOME FROM INVESTMENT ACTIVITIES

From the investment portfolio allocation above, interest income remains to be the main income earner. Interest income include interest earned from loans and advances, term deposits, land debtor properties, convertible notes and cash accounts which makes up 78% of total income. 6% of income is generated from fees on loans. 10% of income was generated from its properties and 6% from other investments including dividends, gain on offshore and other revenue. The composition of the Fund's Income is depicted in Graph 12.

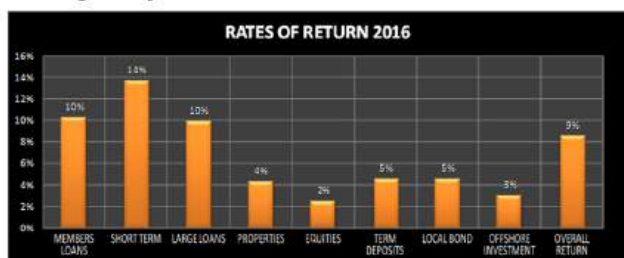


Graph 12

Loans remain to be the main revenue earner for the Fund contributing to accumulated funds earmarked to be utilised to fund the annual interest to members. We continuously aim to improve this portfolio for we believe this service allows any worker to access financing for development purposes. It is a joy for us to assist as many as possible to finance any development for their family or business to improve their livelihood.

RATES OF RETURN

Graph 13 below illustrates the respective Rates of Return (weighted average) on each asset class of investment. The Rates of Return (ROR) are derived by taking the income over an average of each asset class in the Investment Portfolio during the year.



Graph 13

The overall return on investments has remained at 9% this year. This is mainly due to the poor performance of our offshore investment with a return of just 3% affected by the economic conditions of the global market. This is a significant drop from 11% in the previous year. It was expected to perform better than this. Returns from Member Loans and Large Loans remain the

same as the previous year at 10%. The best return is from our Short Term Loans which is very popular with our members.

Returns on the Property portfolio noted a slight reduction from 4.98% last year to 4.3% due to some vacant spaces at the Plaza and the main building. Properties team will continue to improve on managing idle assets as well as acquiring properties to ensure good returns on the overall properties portfolio.

Cash and Term deposits on the other hand noted a slight improvement of 1% when compared to the previous which is a reflection of the level of deposits in the financial system.

Investment in equities, continue to be at a low earning only 2.5% over the year. This is mainly due to the majority of our equity investment in the tourism sector which has yet to mature to a position to pay dividends. With the Sheraton on board managing the resort, it is envisaged that this will produce some returns in the next two years or so. Our investment in the telecommunication sector is planned to improve the returns from our equity investment within the next three years.

With an overall return of 9%, management has been able to push its loan products to make up the decreases in other areas hence the overall return has remained the same. It is foreseen that as the offshore investment recovers and Aggie Grey Beach Resort is in a financial position to pay dividends while our loan book continues to grow, we should have an improved overall return.

PROGRESS WITH THE CORPORATE PLAN

Management and staff continue to pursue the Funds Vision and Mission for the Corporate Plan 2017 - 2020, by executing tasks and objectives laid out accordingly.

VISION:

Providing for a secured and quality Living

MISSION:

- i) To extend coverage to all workers.
- ii) To provide efficient and effective services through best practices.
- iii) To maximize benefits to members.

MOTTO:

Securing Quality Retirement

To ensure improvement of service, the Fund's annual planned targets and achievements were reviewed. We set very high and ambitious targets this year in the hope to challenge staff to lift performance to the next level. The following table presents a summary of targets achieved by department as at 30 June 2016

		Achieved	%	Partially Achieved	%	Not Achieved	%	Total
1	Executive	17	89%	2	11%	0	0%	19
2	Members	18	86%	2	10%	1	5%	21
3	Finance	19	90%	2	10%	0	0%	21
4	ICT	15	71%	4	19%	2	10%	21
5	Corporate	15	71%	4	19%	2	10%	21
6	Legal	15	71%	3	14%	3	14%	21
7	Internal Audit	15	71%	4	19%	2	10%	21
8	Investment	17	81%	2	10%	2	10%	21
9	Senior Citizen	20	95%	1	5%	0	0%	21
	Total	151	81%	24	13%	12	6%	187

Results of quarterly and annual reviews greatly assist the Fund in identifying areas for improvement and aiming to fulfil the Fund's vision and mission statements.

CAPITAL EXPENDITURE AND PROJECTS

Major capital expenditures/payments incurred during this financial year are as follows:

	1st Qtr SAT\$	2nd Qtr SAT\$	3rd Qtr SAT\$	4th Qtr SAT\$	YTD SAT\$
Plant & Equipment	4,133	12,334	11,836	19,427	47,730
Motor Vehicle					-
Buildings improvements			37,391		37,391
Fixtures & Fittings	75,478	87,531	3,479	21,900	188,388
					-
TOTAL	79,611	99,865	52,706	41,327	273,509

FUTURE RISKS AND UNCERTAINTIES

Economic Instability

The economy is slowly recovering and the economic activity is currently satisfactory. However there is still the risk that any downturn in the economy will lead to a reduction in economic activity which will in turn lead to unemployment. Thus, this will directly cause reduction in our membership and contributions by employers.

Credit Risk and Loan Arrears

Continuous review of relevant policies and guidelines in lending as well as providing appropriate staff training for effective recovery of loan accounts in arrears. Even with the proper controls in place, there are borrowers who default on their loans resulting in credit risk. Other related issues involve delays in foreclosures of some major non performing loans, or during advertisement of foreclosed properties, the current market values of some properties cannot be met by potential buyers.

Limited opportunities for Investment (Local / Overseas)

The Central Bank of Samoa has accepted a proposal from the Fund to allow overseas investment for higher returns, but they will control the amount of funds being sent overseas. In addition, limited opportunities also exist to diversify our investments locally.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and asset values caused by fluctuations in foreign exchange rates. Foreign exchange fluctuations can arise from the day-to-day purchase of foreign currency, and also at month end when converting assets held in foreign currency to Tala for reporting purposes. Management closely monitors these transactions on a daily basis and hedging is also used to minimize this Foreign Exchange exposure.

OUTLOOK FOR THE NEXT YEAR

Continuous Review of the Lending and Properties Portfolio

The lending portfolio generates circa 80% of the Fund's revenue and Management need to maintain this. We are also working on refining and reviewing our lending products to ensure that we respond to any demands that pose a business case for us. The risk and returns factors have to be considered as well. The properties portfolio is something we need to look at more intensely next year for investment purposes as we have a considerable amount of properties that are either generating minimal or no returns at all.

Management & Continuation of the Offshore Investment Strategy

About 6% of our Investment Portfolio is invested offshore with our fund manager BlackRock in Australia. We intend to manage this portfolio diversification as well as fluctuations in the foreign currency. We have worked with our development partner AUSAID whereby they have assisted in funding an adviser in Australia for NPF to ensure that this venture would be successful to the wider benefit of our members. We also need to monitor our investment with the plan to increase this further depending on the economic development in the local and global economies.

Upgrade of Information System

The upgrading and revamping of our Information System and infrastructure is a priority in the next three years. The first phase was the Loans Management System is completed and fully operational this year. The next plan is to find a replacement information system for the Fund's Management and Financial System.

Cross Investment with Other NPFs in the Pacific Region

Samoa NPF will consider in partnership with other NPFs in the Pacific investment opportunities in Samoa and abroad. In this way, we can continue to network, pool resources and build relationships with our counterpart in the region to achieve our mutual interest which is to generate higher returns for our members.

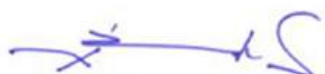
Tighter controls over Expenditures

Finance Department is seeking better measures to monitor and reduce costs with the aim of improved and higher dividends for members.

FINALLY

I wish to give glory to our Lord Jesus Christ for His Guidance and favour over NPF. I thank and acknowledge the vision and support of the Chairman and the Board of Directors to the work of the Fund this year. I also want to thank my committed management team for assisting me in formulating strategy to lift the standard of performance within the Fund and the commitment to bring all the plans to fruition. Moreover, the hard work and support by my staff made it possible to achieve our targets.

Yours sincerely



Faumuina Esther Lameko-Poutoa
CHIEF EXECUTIVE OFFICER

SAMOA NATIONAL PROVIDENT FUND

FINANCIAL statements

FOR YEAR ENDED 30 JUNE 2016

TO THE MEMBERS - SAMOA NATIONAL PROVIDENT FUND

CERTIFICATION BY DIRECTORS

We certify that the attached financial statements for Samoa National Provident Fund for the year ended 30 June 2016 comprising the Statement of Net Assets, Statement of Changes in Net Assets, Statement of Cash Flows, Statement of Contributions and Notes forming part of the financial report:

- (a) give a true and fair view of the matters to which they relate; and
- (b) have been prepared in accordance with International Financial Reporting Standards; and
- (c) comply with any applicable regulations, schedules or Treasury Instructions in relation to the form or content of financial statements made under the Public Finance Management Act 2001, Public Bodies (Performance and Accountability) Act 2001 and the Companies Act 2001.


We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

The directors' of the Fund at the date of this report are:

1. Mr Lavea Tupa'imatuna Iulai Lavea	Chairman
2. Mr Galumalemana Patrick Rasmussen	Director
3. Rev. Rimoni Wright	Director
4. Mr Masoe Norman Wetzell	Director
5. Mr Lealiiie Rudi Ott	Director
6. Mr Sala Pesamino Niupulusu Leo	Director
7. Ms Sa'u Taupisioletoga Faamau	Director
8. Mr Namulauulu Sami Leota	Director

We authorize the attached financial report for issue on the 24th October 2016 on behalf of the directors of Samoa National Provident Fund.


Lavea Tupa'imatuna Iulai Lavea
CHAIRMAN
24th October 2016


Galumalemana Patrick Rasmussen
DIRECTOR
24th October 2016

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

P.O Box 13
APIA, SAMOA

Please address all correspondences
to the Controller and Auditor General



AUDIT OFFICE

REPORT OF THE AUDIT OFFICE

TO THE MEMBERS – SAMOA NATIONAL PROVIDENT FUND

We have audited the accompanying Financial Statements of the Samoa National Provident Fund, which comprise the Statement of Net Assets as at 30 June 2016, Statements of Changes in Net Assets, Contributions and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Accounting Firm of Lesa ma Penn, Chartered Accountants, assisted in this audit.

The Responsibility of the Board of Directors and Management for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards and with requirements of the National Provident Fund Act 1972 and such internal control as the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 and management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion:

- (a) proper books of account have been kept by the Fund, so far as it appears from our examination of those books;
- (b) the financial statements are in agreement with the books of account; and
- (c) to the best of our knowledge and according to explanations given to us the financial statements give the information required by the National Provident Fund Act 1972 in the manner so required.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Our audit was completed on the 24th October 2016 and our opinion is expressed as at that date.

Apia, Samoa
28 October 2016

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

SAMOA NATIONAL PROVIDENT FUND
STATEMENT OF NET ASSETS
AS AT 30 JUNE 2016

	Notes	30 June 2016 \$	30 June 2015 \$
ASSETS			
Cash and cash equivalents	7	95,502,528	96,604,771
Inventories	8	2,408,273	2,417,053
Accounts receivables	12	2,004,332	1,576,340
Accrued income and prepayments	13	1,390,413	1,125,238
UTOS note		7,000,000	7,000,000
Equity investment	9	38,725,435	23,520,055
Loans and advances	10	337,093,994	311,951,542
Term receivable from land sales	11	296,257	640,815
Investment properties	14	93,734,799	95,799,010
Property, plant and equipment	14	3,292,782	3,510,407
Employer subsidiary	16	-	278,896
TOTAL ASSETS		581,448,813	544,424,127
LIABILITIES			
Trade and other payables	15	785,262	702,160
Employer subsidiary	16	521,994	-
Provisions	17	1,695,330	1,243,329
TOTAL LIABILITIES		3,002,586	1,945,489
NET ASSETS		\$578,446,227	\$542,478,638

Represented by:

Contributions		532,839,447	496,654,385
General reserve	3	17,758,400	19,397,933
Unclaimed deposits	4	2,458,217	990,271
Pension pool	5	4,375,037	4,420,923
Asset revaluation surplus	6	21,015,126	21,015,126
NET ASSETS AVAILABLE FOR BENEFITS		\$578,446,227	\$542,478,638

The relevant accompanying notes form part of this Statement of Net Assets.

On behalf of the Board:


 Lavea Tupa'imatuna Iulai Lavea
CHAIRMAN
 24th October 2016


 Galumalemana Patrick Rasmussen
DIRECTOR
 24th October 2016

SAMOA NATIONAL PROVIDENT FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2016

	<i>Notes</i>	2016 \$	2015 \$
<u>INVESTMENT REVENUE</u>			
Interest	18	34,172,451	32,645,887
Rent	19	4,214,132	4,166,889
Service fees on loans		2,577,426	2,461,753
Dividends		777,254	475,996
Other income	20	2,060,295	4,885,949
		<u>43,801,558</u>	<u>44,636,474</u>
<u>EXPENDITURE</u>			
Audit fees		40,626	72,950
Board expenses		32,218	47,203
Building maintenance		191,279	174,387
Directors fees		102,000	34,125
Doubtful loans and debts		221,464	300,369
Personnel costs		3,847,415	3,921,841
Rent	21	367,699	367,698
Other operating costs	22	3,580,657	5,045,618
		<u>8,383,358</u>	<u>9,964,191</u>
Net surplus before depreciation		35,418,200	34,672,283
Depreciation	14	2,552,065	2,533,813
Net surplus from investment income		32,866,135	32,138,470
Add/(less):			
Net increase in Members' Contributions		36,185,062	30,397,152
Net increase in Unclaimed Deposits	4	1,467,946	11,524
<i>Benefits paid from General Reserve:</i>	3		
Statutory charges		930,602	917,832
Interest credited to contributions		(33,507,372)	(32,873,413)
Death benefit paid		(846,500)	(610,507)
Prior year adjustment		3,271	-
Bonus 4% on withdrawal or death		(732,338)	(758,665)
<i>Benefits paid from Pension Reserve:</i>	5		
Pension payments (net of redemptions)		(710,323)	(643,114)
New pensioners		311,106	16,447
Total changes in net assets for the year		35,967,589	28,595,726
Net assets available for benefits at beginning of year		542,478,638	513,882,912
Net assets available for benefits at year end		578,446,227	542,478,638

The relevant accompanying notes form part of this Statement of Changes in Net Assets.

SAMOA NATIONAL PROVIDENT FUND
STATEMENT OF CONTRIBUTIONS
YEAR ENDED 30 JUNE 2016

	<u>Judiciary Retirement Fund</u>	<u>Education Fund</u>	<u>National Provident Fund</u>	<u>TOTAL</u> 30 June 2016 \$	30 June 2015 \$
Balance at beginning of year	904,902	41,007	495,708,476	496,654,385	466,257,233
<i>Plus:</i>					
Contribution for the year	161,861	27,720	63,886,791	64,076,372	52,965,136
Contributions from UDA	-	-	19,330	19,330	-
Interest on members accounts	60,041	2,106	33,445,225	33,507,372	32,873,413
	<u>1,126,804</u>	<u>70,833</u>	<u>593,059,822</u>	<u>594,257,459</u>	<u>552,095,782</u>
<i>Less:</i>					
Withdrawals	96,068	10,000	43,455,436	43,561,504	43,044,688
Statutory charges	649	341	929,612	930,602	917,832
Loans offset against contributions	-	-	15,324,306	15,324,306	11,178,936
Transfer to Unclaimed Deposits	17,821	-	1,273,138	1,290,959	-
Transfer to Pension Pool	-	-	310,641	310,641	299,941
	<u>114,538</u>	<u>10,341</u>	<u>61,293,133</u>	<u>61,418,012</u>	<u>55,441,397</u>
Due to members at year end	\$1,012,266	\$60,492	\$531,766,689	\$532,839,447	\$496,654,385
Net increase in Members' Contributions				\$36,185,062	\$30,397,152

The relevant accompanying notes form part of this Statement of Contributions.

SAMOA NATIONAL PROVIDENT FUND

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2016

	30 June 2016 \$	30 June 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Contributions received	64,878,374	52,359,827
Unclaimed deposits	196,317	11,524
	<u>65,074,691</u>	<u>52,371,351</u>
Cash was used for:		
Contributions withdrawn	43,561,504	43,044,688
Pensions paid (net of redemptions)	709,858	926,608
Death benefits paid	846,500	610,966
Bonus 4% on withdraw & death benefit	732,337	758,665
Operating expenses	7,259,886	8,664,885
	<u>53,110,085</u>	<u>54,005,812</u>
Net cash flows provided from/(used for) operating activities	11,964,606	(1,634,461)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Interest income (excluding interest on loans & advances)	2,686,578	1,930,971
Dividend received	354,610	440,535
Repayments on loans and advances	111,724,196	100,142,816
Rent income	3,337,392	2,270,745
Proceeds from sale of fixed assets	311	18,062
Proceeds from land stock	-	2,400,000
Other income from investing activities	3,347,368	6,319,078
	<u>121,450,455</u>	<u>113,522,207</u>
Cash was used for:		
Loans and advances disbursements	119,038,659	87,010,115
Equity investments	15,205,380	-
UTOS note	-	4,000,000
Purchase of fixed assets	273,265	922,361
	<u>134,517,304</u>	<u>91,932,476</u>
Net cash flows provided from investing activities	(13,066,849)	21,589,731
NET INCREASE/(DECREASE) IN CASH	(1,102,243)	19,955,270
OPENING CASH BALANCES	96,604,771	76,649,501
CLOSING CASH BALANCES	<u>\$95,502,528</u>	<u>\$96,604,771</u>
Represented by:		
Cash and Cash Equivalents	95,502,528	96,604,771
	<u>\$95,502,528</u>	<u>\$96,604,771</u>

The relevant accompanying notes form part of this Statement of Cash Flows.

**SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1 GENERAL

The Samoa National Provident Fund (the 'Fund') was incorporated under the National Provident Fund Act 1972 (the 'Act'), with amendments under the Samoa National Provident Amendment Act 2010 which was effective 1 July 2010. NPF is a compulsory savings scheme covering all employees in Samoa for the purposes of retirement.

2 STATEMENT OF ACCOUNTING POLICIES

(a) General accounting policies

The reporting entity is the Samoa National Provident Fund (the 'Fund'). These financial statements have been prepared, except where stated, in accordance with the relevant requirements of the National Provident Fund Act 1972, International Financial Reporting Standards as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB.

The financial statements are prepared in accordance with the historical cost basis, unless stated otherwise, and are presented in Samoan Tala. Accrual accounting is used to match income and expenditure. Reliance is placed on the fact that the Fund is a going concern.

(b) Changes in accounting policies

There have been no changes in accounting policies during the period. All policies have been applied on a consistent basis with those used in previous years.

(c) Significant accounting policies

(i) Cash and cash equivalents

Cash and cash equivalents are carried at cost, and comprise of cash at bank and in hand, deposits held with banks, and other highly liquid investments with maturities at acquisition of 12 months or less.

(ii) Accounts receivables

Debtors are stated at their expected realisable value. Where a debt is considered to be irrecoverable, the debt is written off in the accounts, subject to Board approval. When the recoverability of a debt is in doubt, an appropriate amount is charged against income as provision for doubtful debts.

(iii) Loans and advances

Loans and advances are carried at their recoverable amount represented by the gross value of the outstanding balance (principal plus interest) adjusted for provision for doubtful loans.

Non performing accounts identified by Management as per the Fund's policy are subject to Board approval. At the time a loan is considered non-performing and approved by Board, interest is ceased until settlement.

(iv) Provision for doubtful accounts

Provisions for doubtful accounts comprises a specific provision for known doubtful loan and debtor accounts.

Provision for doubtful accounts is charged against income in the year in which they are identified. Loans deemed to be uncollectible are charged against existing provisions, and subsequent recoveries, if any, are credited to income.

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2 STATEMENT OF ACCOUNTING POLICIES

(c) Significant accounting policies (continue)

(v) Equity investments

Investments in company shares are stated at cost less provision for amounts which are considered to be a permanent diminution in their carrying values.

(vi) Interest on members' contributions

In accordance with Section 36 of the Act, interest on members accounts in the National Provident Fund and Judiciary Reserve Fund, is calculated on the amounts standing to their credit with the Fund at the commencement of each financial year. An interest rate of 7% was declared for the year ended 30 June 2016 (June 2015: 7.3%)

(vii) Foreign Currencies

Transactions in foreign currencies have been converted at the rates prevailing at the time of transactions. Assets and liabilities in foreign currencies at year-end have been converted at rates prevailing at that date. Exchange differences are reported on a net basis, and credited or charged against income.

(viii) Inventories

Land held for sale are stated at cost. Building stock are recorded at cost less any provision for stock obsolescence, and comprises of items purchased in bulk to maintain the Fund's investment properties.

(ix) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for land and buildings which are stated at valuation. Depreciation is calculated to write off cost of assets over their estimated useful lives. The rates and methods of depreciation for each class of property, plant and equipment are as follows:

Buildings	2.5%	Straight Line
Motor vehicles	25%	Straight Line
Plant and equipment	25%	Straight Line
Fixture and fittings	20%	Straight Line

Property that is being constructed or developed for future use is classified as work in progress under property, plant and equipment and stated at cost. Depreciation is not charged until construction is completed and in use.

(x) Revenue recognition

Interest income is generally recognized on an accrual basis and is recognised in the income statement on a monthly basis. Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are recognised upon drawdown of funds.

Rental income is also recognised on an accrual basis and invoiced on a monthly basis. Dividend revenue from investments is recognised when shareholder's right to receive payment has been established.

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2 STATEMENT OF ACCOUNTING POLICIES

(c) Significant accounting policies (continue)

(xi) Expense recognition

All expenditures are recognised in the income statement on an accrual basis.

(xii) Income tax and vagst

The income of the Fund is exempted from income tax under section 54 of the Act, and all income and expenditure relating to the rental operations are disclosed exclusive of Value Added Goods and Services Taxes.

(xiii) Comparatives

Where necessary, comparative figures have been re-grouped to be in line with changes in presentation for the current year.

3 GENERAL RESERVE	30-Jun-16	30-Jun-15
	\$	\$
Opening balance	19,397,933	20,584,216
Add:		
Profit for the current year	32,866,135	32,138,470
Statutory charges	930,602	917,832
Prior year adjustment	3,271	
	<u>53,197,941</u>	<u>53,640,518</u>
Deduct:		
Death benefit paid	846,500	610,507
Interest credited to members accounts	33,507,372	32,873,413
Transfer to Pension Reserve	353,331	-
Bonus 4% on withdrawal and/or death	732,338	758,665
	<u>35,439,541</u>	<u>34,242,585</u>
Balance at 30 June 2016	<u>\$17,758,400</u>	<u>\$19,397,933</u>

4 UNCLAIMED DEPOSITS	30-Jun-16	30-Jun-15
	\$	\$
Opening balance	990,271	978,747
Portion identified during the period	(103,481)	(243,952)
Unclaimed deposits during the period	305,840	285,513
Transfer from Contributions	1,265,587	(30,037)
Balance at 30 June 2016	<u>\$2,458,217</u>	<u>\$990,271</u>
Net Increase in Unclaimed Deposits	<u>\$ 1,467,946</u>	<u>\$ 11,524</u>

Unclaimed deposits represents: (i) unidentified contributions after reasonable work has been carried out, (ii) unwithdrawn contributions belonging to members over 65, and (iii) members with remaining credits. The Unclaimed Deposits Account is established under Section 32(4),(6) & (7) of the National Provident Fund Act 1972.

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

5 PENSION POOL	30-Jun-16	30-Jun-15
	\$	\$
Opening balance	4,420,923	5,047,590
Transfer from General Reserve	353,331	-
New Pensioners (transferred from contributions)	311,106	16,447
Pension paid to pensioners	(710,393)	(647,847)
Pension redemption	70	4,733
Balance at 30 June 2016	\$4,375,037	\$4,420,923

Represents contributions from members who have reached 55 years of age and over, and who have become pensioners. These members' balances are transferred out of their contribution accounts and into the pension pool. In addition, when the pool requires additional funding, the Fund does transfers from the General Reserve.

6 ASSET REVALUATION SURPLUS	30-Jun-16	30-Jun-15
	\$	\$
Opening balance	21,015,126	21,015,126
Transfer to General Reserve	-	-
Balance at 30 June 2016	\$21,015,126	\$21,015,126

Revaluation surplus relates to revaluation of land and buildings. Also refer Note 14.

7 CASH AND CASH EQUIVALENTS	30-Jun-16	30-Jun-15
	\$	\$
Petty cash	500	500
Cash at banks	33,809,937	12,812,381
Term deposits*	24,098,461	46,508,688
Global Bond - Blackrock, Australia	37,593,630	37,283,202
Balance at 30 June 2016	\$95,502,528	\$96,604,771

*The term deposits are invested over different periods up to 12 months, and at interest rates averaging at 4.5% per annum.

8 INVENTORIES	30-Jun-16	30-Jun-15
	\$	\$
Land held for sale	2,390,216	2,390,216
Building Stock	18,057	26,837
Balance at 30 June 2016	\$2,408,273	\$2,417,053

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

9 EQUITY INVESTMENTS	The Fund's Shareholding	30-Jun-16 \$	30-Jun-15 \$
Computer Services Ltd	67%	1,101,750	1,101,750
Aggie Grey's Beach Resort	54%	31,405,000	14,500,000
CSL Mobile Ltd	50%	346,380	2,776,460
Samoa Submarine Cable Company		411,311	
UTOS units		5,460,994	5,141,845
		38,725,435	23,520,055
Less Provision for Diminution of Shares		-	-
Carrying value of shares		\$38,725,435	\$23,520,055

10 LOANS AND ADVANCES		30-Jun-16 \$	30-Jun-15 \$
Small loans	(a)	182,112,947	174,770,304
Short term loans	(b)	25,993,109	31,412,614
Large loans and advances	(c)	131,090,399	107,451,077
Lease receivable		1,850,871	2,166,031
Gross loans and advances		341,047,326	315,800,026
Deduct provision for suspended interest and fees		(1,018,888)	(844,040)
Deduct provision for doubtful loans		(2,934,444)	(3,004,444)
Net loans and advances		\$337,093,994	\$311,951,542
Current		110,567,302	97,679,910
Non current		230,480,024	218,120,116
Gross loans and advances		\$341,047,326	\$315,800,026

Movement per provision for doubtful loans:

Opening balance	3,004,444	3,061,444
Movement in provision during the year	100,000	243,000
Loans written off against provision	(170,000)	(300,000)
Ending balance	<u>2,934,444</u>	<u>3,004,444</u>

- (a) Members can borrow 50% of their SNPF contributions. These small loans are charged interest at 9.5% per annum. Included are member loans to directors totalling circa \$78,167.
- (b) Short term loans allow active members to borrow 10% of their contributions apart from their usual small loan entitlements, at 11% for a term of 2 years.
- (c) Interest on large loans is charged at an average rate of 9% per annum. Included in Investment loans to directors totalling circa \$247,623.

11 TERM RECEIVABLES FROM LAND SALES	30-Jun-16 \$	30-Jun-15 \$
Land debtors	<u>296,257</u>	<u>640,815</u>
Term receivables are charged interest at 10% per annum for a repayment period of ten years. Legal transfer of title is not made until the full price of the land plus outstanding interest have been paid.		

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12 ACCOUNTS RECEIVABLES	30-Jun-16	30-Jun-15
	\$	\$
Other Receivable	1,640,274	-
Trade receivables	986,669	1,937,321
Provision for doubtful debts	(503,075)	(391,121)
	<u>2,123,868</u>	<u>1,546,200</u>
Building Maintenance Recoverable (BMR) Account*	(119,536)	30,140
Balance at 30 June 2016	<u>2,004,332</u>	<u>\$1,576,340</u>

*The BMR account refers to operating costs relating to the Plaza and the SNPF Building which are recharged to tenants. For the SNPF Building, the Fund pays for the operating costs inclusive of building maintenance and common area costs incurred during the year. To recover the funds used, a rate based on these total payments is used to invoice tenants in the next financial year.

Movement per provision for doubtful debts

Opening balance	391,121	406,515
Additional provision during year	122,576	-
Write off against provision	(10,622)	(15,394)
Ending balance	<u>503,075</u>	<u>391,121</u>

13 ACCRUED INCOME AND PREPAYMENTS	30-Jun-16	30-Jun-15
	\$	\$
Accrued income	1,265,763	971,906
Prepayments	124,650	153,332
	<u>\$1,390,413</u>	<u>\$1,125,238</u>

14 INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT	Ending	Accumulated	Ending	Depreciation
	Cost	Depreciation	WDV	for the year
30 June 2016				
(a) INVESTMENT PROPERTIES				
Land	24,831,730	-	24,831,730	-
Buildings	82,568,400	13,665,331	68,903,069	2,064,210
	<u>\$107,400,130</u>	<u>\$13,665,331</u>	<u>\$93,734,799</u>	<u>\$2,064,210</u>
(b) PROPERTY, PLANT AND EQUIPMENT				
Land	49,988	-	49,988	-
Buildings	3,071,691	683,505	2,388,186	76,169
Motor vehicles	914,298	800,804	113,494	116,273
Plant and equipment	4,728,293	4,296,182	432,111	230,477
Fixtures and fittings	2,190,253	1,881,250	309,003	64,936
	<u>\$10,954,523</u>	<u>\$7,661,741</u>	<u>\$3,292,782</u>	<u>\$487,855</u>
TOTAL	<u>\$118,354,653</u>	<u>\$21,327,072</u>	<u>\$97,027,581</u>	<u>\$2,552,065</u>

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14 INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT

	Ending Cost	Accumulated Depreciation	Ending WDV	Depreciation for the year
30 June 2015				
(a) INVESTMENT PROPERTIES				
Land	24,831,731	-	24,831,731	-
Buildings	82,568,400	11,601,121	70,967,279	2,038,748
	\$107,400,131	\$11,601,121	\$95,799,010	\$2,038,748
(b) PROPERTY, PLANT AND EQUIPMENT				
Land	49,988	-	49,988	-
Buildings	3,034,300	607,336	2,426,964	75,857
Motor vehicles	914,298	684,531	229,767	138,248
Plant and equipment	4,824,692	4,206,557	618,135	272,411
Fixtures and fittings	2,019,890	1,834,337	185,553	8,549
	\$10,843,168	\$7,332,761	\$3,510,407	\$495,065
TOTAL	\$118,243,299	\$18,933,882	\$99,309,417	\$2,533,813

The revaluation of lands and buildings was carried out in 2005 pursuant to a Board Resolution. This was undertaken to establish fair market for the purpose of financial reporting. Kaisara Real Estate Management, a local valuer was awarded with this assignment. The exercise was performed in accordance with Generally Accepted Accounting Practices and relevant valuation standards.

	30-Jun-16	30-Jun-15
Reconciliation per Note 14 (a) and (b):	\$	\$
Opening book value	99,309,417	100,920,869
Additional assets purchased	273,509	944,469
Disposals of assets	(162,158)	(566,776)
Depreciation charged	(2,552,065)	(2,533,813)
Accumulated depreciation reversed upon disposal	158,878	544,668
Ending book value	\$97,027,581	\$99,309,417

15 TRADE AND OTHER PAYABLES

	30-Jun-16	30-Jun-15
	\$	\$
Rent received in advance	193,244	193,118
Sundry Creditors	469,866	465,555
VAGST payable	122,152	43,487
Balance at 30 June 2016	\$785,262	\$702,160

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
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16 EMPLOYER SUBSIDIARY ACCOUNTS

	<u>30-Jun-16</u>	<u>30-Jun-15</u>
	<u>\$</u>	<u>\$</u>
Employers subsidiary	(357,481)	457,300
Less: Provision for doubtful employer balances	(164,513)	(178,404)
Balance at 30 June 2016	<u>-\$521,994</u>	<u>\$ 278,896</u>

Employer subsidiary accounts are used for posting paid schedules and receipting remittances on schedules. Contribution is released to members accounts (employees) upon full payment. Any advance payments on schedules are left as it is under the Employer subsidiary accounts for future schedules.

Movement per provision for doubtful employer balances

Opening balance	178,404	178,404
Reverse provision	(1,112)	-
Write off against provision	(12,779)	-
Ending balance	<u>164,513</u>	<u>178,404</u>

17 PROVISIONS

	<u>30-Jun-16</u>	<u>30-Jun-15</u>
Provision for audit fees	54,982	63,942
Provision for arbitration settlement	1,300,000	1,000,000
Provision for employee benefits	340,348	179,387
Balance at 30 June 2016	<u>\$1,695,330</u>	<u>\$1,243,329</u>

<u>Movement per provision:</u>	<u>Audit Fees</u>	<u>Arbitration Cost</u>	<u>Employee Benefits</u>	<u>Total 2016</u>	<u>Total 2015</u>
Opening balance	63,942	1,000,000	179,387	1,243,329	362,564
Additional provision	68,490	300,000	217,013	585,503	1,303,508
Payments	(77,450)	-	(56,052)	(133,502)	(422,743)
Ending balance	<u>54,982</u>	<u>1,300,000</u>	<u>340,348</u>	<u>1,695,330</u>	<u>1,243,329</u>

	<u>30-Jun-16</u>	<u>30-Jun-15</u>
	<u>12 months</u>	<u>12 months</u>
18 INTEREST INCOME		
Term deposits	1,988,633	2,079,085
Loans and advances	31,501,089	30,104,250
Land debtors	41,191	63,502
UTOS note	406,000	186,000
Bank accounts	235,538	213,050
	<u>\$34,172,451</u>	<u>\$32,645,887</u>

19 RENT INCOME

NPF Building - Other tenants	501,661	492,588
NPF Building - Own use by SNPF	326,292	326,292
Samoa House & New Chancery Office Building	234,571	182,620
Yazaki Building	928,032	928,032
SNPF Plaza	2,132,832	2,083,660
Digicel	2,500	2,500
Desico	-	6,500
STA Fale	55,305	55,305
Vaisigano Land lease	-	53,622
Vaitele Agency	15,839	22,920
Industrial Vaitele Land lease	17,100	12,850
	<u>\$4,214,132</u>	<u>\$4,166,889</u>

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	<u>30-Jun-16</u> <u>12 months</u>	<u>30-Jun-15</u> <u>12 months</u>
20 OTHER INCOME		
Gain/(Loss) on disposal of fixed assets	(2,725)	18,062
Gain on offshore investment	1,132,314	3,317,246
Gain on land sales	-	177,305
Gain on UTOS units	319,149	590,820
Others	611,557	782,516
	<u><u>\$2,060,295</u></u>	<u><u>\$4,885,949</u></u>
21 RENT EXPENSE		
Own use by SNPF	326,292	326,292
Rent paid	41,407	41,406
	<u><u>\$367,699</u></u>	<u><u>\$367,698</u></u>
22 OTHER OPERATING COSTS		
Computer services costs	66,750	57,049
Electricity and Water Rates	200,089	267,035
Land sales expenses	-	121,470
Local travel	51,341	58,583
Loss on foreign exchange	1,293,641	2,527,185
Legal Fees	984,608	1,094,950
Insurance	237,763	238,457
Overseas travel	118,224	144,609
Office expenses	300,632	266,194
Printing and stationery	133,095	121,199
Repair & Maintenance	103,919	42,551
Other expenses	90,595	106,336
	<u><u>\$3,580,657</u></u>	<u><u>\$5,045,618</u></u>

23 CONTINGENCIES & COMMITMENTS

The Fund was committed to lend \$54.7million Investment Loans during the year, of which \$3.5million remains undrawn at year end.

As of June 23, 2015, the Fund has been subscribed and allocated 1,927,440 additional ordinary shares, and is subject to settlement once the call on shares is determined by the Aggie Grey's Beach Resort Board.

24 SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstances not otherwise dealt with in the financial statements that have significantly or may significantly affect the operations of the Fund, the results of those operations or state of affairs of the Fund in the subsequent year. (2015: Nil)

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

25 ACTUARIAL REVIEW

The review is performed every three years, and the most recent actuarial was carried out by Melville Jessup Weaver in February 2015 for period ended 30 June 2014. The recent valuation indicated that the Pension Reserve Account has a deficit of \$304,000 tala as at 30 June 2014. The deficit is less than 10% of the total liability of the Pension Reserve Account and in accordance with the funding policy agreed with management, no transfer to or from the reserve account is required.

26 RISK MANAGEMENT DISCLOSURES

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

(i) *Credit Risk*

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the Fund. The Fund's primary exposure to credit risk arises from its lending and investing activities. The Fund has strict policy guidelines in dealing with credit worthy customers and obtaining sufficient collateral to mitigate the risk of financial loss. Credit risk is also closely monitored by the Internal Auditor through regular and independent reviews designed to test quality of credit exposures and to ensure compliance with Fund policies. These reviews are administered by the Audit Committee.

(ii) *Liquidity Risk*

Liquidity risk arises in the general funding of the Fund's activities. It includes both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to fund settlements on contribution accounts in an appropriate time frame.

(iii) *Interest Rate Risk*

Interest rate risk arises from the change in interest rate causing fluctuations in the fair value of financial instruments and their liability funding. These mismatches may be due to timing differences in the repricing of the asset and liability. The Fund's risk management strategy aims to actively monitor these mismatches to minimize the effects on interest rate risk.

(iv) *Foreign Exchange Risk*

Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange mismatches can arise from the day-to-day purchase and sale of foreign currency, from trading positions taken from deposit activity in foreign currencies. Management closely monitors these transactions on a daily basis.