



Moana R. Murphy

SAMOA NATIONAL PROVIDENT FUND



MINISTRY FOR
PUBLIC ENTERPRISES

01 NOV 2018

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ANNUAL REPORT 2018

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STATEMENT TO PARLIAMENT

31 October 2018

Honourable Speaker
Legislative Assembly of Samoa
TUANAIMATO

Dear Sir,

In pursuant of Section 15 of the Samoa National Provident Fund's Act, I present to the Legislative Assembly for discussion, the Samoa National Provident Fund's Annual Report for the financial year ending 30 June 2018.

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.

Inspired to accomplish its **VISION**: Providing for a Secured Quality Living

And **MISSION**:

- ✓ To extend coverage to all workers
- ✓ To provide efficient and effective services through best practices
- ✓ To maximise benefits to members

Yours faithfully



Hon Sili Epa Tuioti
MINISTER OF FINANCE/SNPF

TABLE OF CONTENTS

STATEMENT TO PARLIAMENT	2
TABLE OF CONTENTS	3
HIGHLIGHTS FOR 2018	4
BOARD OF DIRECTORS	5
CHAIRMAN'S REPORT	6
EXECUTIVE MANAGEMENT	7
CHIEF EXECUTIVE OFFICER'S REPORT	8
A. HIGHLIGHTS FOR THE YEAR.....	8
B. OVERVIEW OF OPERATING PERFORMANCE AND RESULTS.....	8
MEMBER SERVICES.....	8
CORPORATE SERVICES.....	12
LEGAL SERVICES.....	14
INFORMATION AND COMMUNICATIONS TECHNOLOGY.....	14
INTERNAL AUDIT.....	15
C. OVERVIEW OF FINANCIAL PERFORMANCE AND RESULTS.....	16
FINANCE DEPARTMENT.....	16
INVESTMENT DEPARTMENT.....	16
D. PROGRESS WITH THE CORPORATE PLAN.....	20
E. CAPITAL EXPENDITURE AND PROJECTS.....	21
F. FUTURE RISKS AND UNCERTAINTIES.....	21
G. OUTLOOK FOR THE NEXT YEAR.....	22
FINANCIAL STATEMENTS	24

HIGHLIGHTS FOR 2018

Members' Contribution Balances increased by 11% to \$589million from \$533 million in 2017

Gain on Offshore Investment recorded was \$4.4 million, an increase of 33% from \$3.3 million in 2017

Total Net Assets increased by 11% from \$629 million in 2017 to \$696 million in 2018

Total Investment Income was \$54 million in 2018, an increase of 10% when compared to \$49 million in 2017

1902 total Employers count at year end compared to 1711 in 2017

32,709 Active members, an increase of 127 when compared to 32,582 in 2017

Total Contribution withdrawals is \$49 million, an increase of 4% when compared to \$47 million in 2017

Interest declared of 10% to the value of \$53.4 million in 2018, an increase of 44% when compared to \$37.1 million in 2017.

Contributions totalling \$79.1 million were collected in 2018, an increase of 3% when compared to \$76.9 million in 2017.

BOARD OF DIRECTORS



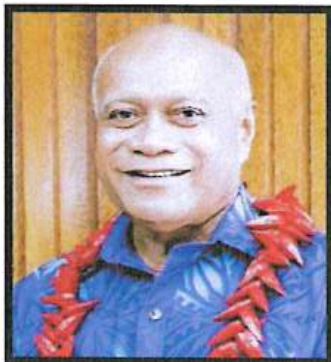
Lavea Tupa'imatuna Iulai Lavea
CHAIRMAN



Masoe Norman Wetzell
Employers' Representative



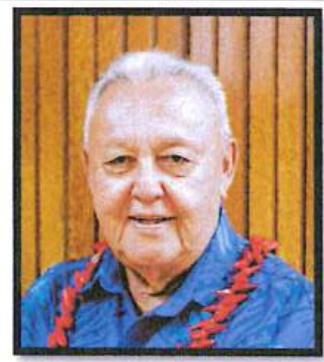
Namulauulu Sami Leota
Employers' Representative



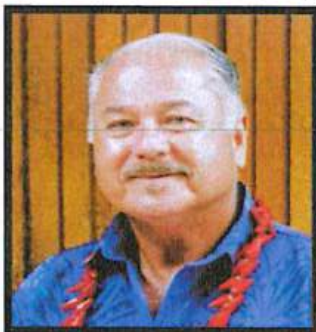
Rev Sunita Afereti Uili
Churches' Representative



Margaret Fruean Misiolo
Public Sector Employees
Representative



Lealiiee Rudi Ott
Private Sector Employees
Representative



Galumalemana Patrick Rasmussen
Manufacturers Association Representative



Salā Pesamino Niupulusu
Farmers Representative

CHAIRMAN'S REPORT

I am happy to report on another successful year. The Fund reported an increase of 10% 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 and terms and conditions to take advantage of opportunities available and to be an effective and competitive player in the financial services market.

The 10% growth in the investment loans portfolio is a testament to the success of this strategy. Furthermore, expenditure was tightly controlled which resulted in maintaining spending at actual 12% below budget.

ACTIVITIES AND PERFORMANCE OF THE FUND

Operating and Financial Performance

Members contribution collected during the year was \$79.1 million, an increase of 3% when compared to \$76.9 million in the previous year. Despite a moderate GDP growth rate of .5% experienced in our country by the end of the financial year, the Fund had a strong financial year demonstrated by the 10% growth in reported profits. The net asset value has grown by 11% to \$696 million at year end.

Future Outlook

The Fund continues to foresee enhancement in its financial performance and position. We will continue to monitor our expansionary efforts relative to our investments offshore and lending products. It is also important to manage risks relative to each investment activity. The Board shall ensure that the Fund has the adequate portfolio mix to ensure that we earn the expected returns for our members. The new ICT infrastructure is expected to improve our services and business.

CAPITAL & DIVIDEND INFORMATION

In a tough and challenging economic environment, the Board was nevertheless able to declare interest of 10% for members. 7% was credited to members contribution and 3% was cash pay-out. The cost to the Fund was \$53.4 million tala – the greatest ever such undertaking in the 46 years of the Fund.

DIRECTORS' INFORMATION

The Board endeavours to uphold the highest level of corporate governance as to ensure the protection of the best interests of its members. The Board held 11 meetings, the Investment Committee held 4 meetings and the Audit Committee held 4 meetings during the year.

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



LR:- Faalogo Luana Esera (Chief Financial Officer), Sheena Lesa (Manager ICT), Lautimuia Larina Lemisio (Manager Corporate Services), Pauli Prince Suhren (Chief Executive Officer), Fautuaalii Sefo Fautuaalii (Manager Senior Citizens Benefit Fund), Lealali Mapuona Multalo (Manager Internal Audit), Siligatusa Limasene Samau Tupou (Chief Investment Officer), Sine Lafaialii Korua (Manager Legal), **Insert photo** - Maposua Tanya Toailoa-Lagaia (Manager Member Services)

CHIEF EXECUTIVE OFFICER'S REPORT

It is with great pleasure that I report on the performance of the Fund for this financial year ending 30 June 2018. The Board and staff have worked hard to enhance the financial and non-financial performance this year and I am happy to report that those efforts have paid off to make 2018 a very successful year.

A. HIGHLIGHTS FOR THE YEAR

Notable achievements accomplished during the year include:

(i) Annual Dividend

The Board declared a record interest for members this year of 10%. 7% was credited to members' contribution accounts and 3% was cash pay out with total cost of \$53.4 million tala.

(ii) Competitive Lending Products

The revised lending strategy was a success this year proven by a growth of circa 10% in the Investment Loans Portfolio at year end. 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 Small Medium Enterprises and bigger companies to access affordable finance for business development. Our various loan products have assisted many members to acquire vehicles, land, housing and many employers for business development and expansion.

(iii) Funds Management System (FMS), Financial Management Information System (FMIS), Human Resource Management System (HRMS)

The Fund prioritised the replacement of its information technology infrastructure to improve business performance and processes and introduce multiple efficiencies. This new state of the art ICT infrastructure will replace the Fund's legacy AS400 and other such systems.

B. OVERVIEW OF OPERATING PERFORMANCE AND RESULTS

MEMBER SERVICES

Active Members

The number of active members at year end was 32,709 an increase of 127 or 0.3 % when compared to the previous year of 32,582. The number of active members has been consistent over the years showing gradual growth as shown in Graph 1 from 2011 to 2018. However, there was a slight drop in voluntary members from 35 to 33 (5.71% decrease). This is a group that the Fund is actively trying to increase, and as such a partnership with the Ministry for 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. Voluntary contribution is an area where a lot more emphasis will be given in the coming financial year.

Contributions

Members' Contributions collected during the year was \$79.1 million, an increase of 3% when compared to \$76.9 million in the previous year, as shown in Graph 2. The Fund is currently reviewing the contribution % for both workers and employers for a possible increase in the coming year.

Withdrawals

The trend over the years from 2011 to 2018 relative to total members' contributions growth and withdrawals made are shown in Graph 3. Withdrawals made during the year totalled \$48.7 million, an increase of 4% as compared to \$46.5 million in the previous year. The bulk of withdrawals are for members turning 55 followed by overseas citizens/residents departing Samoa.

Employers

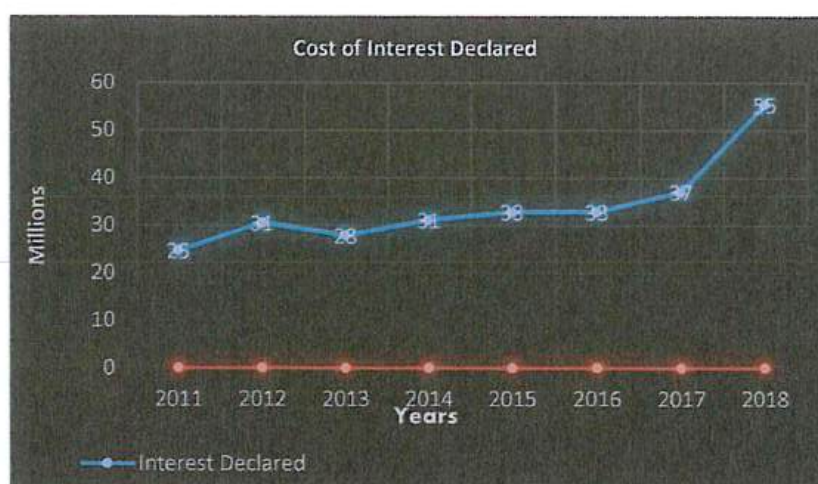
Employer numbers are reflected in Graph 4 with a total count of 1902 at year's end, compared to 1711 last year, thus an increase of 191 or 11%. 197 new employers registered this year. Some employers struggle to meet their obligations in paying employees' contributions, but despite this, most are amenable 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.

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 finalised its selection for the contractor to replace its current system. The management team is now working closely to finalise and launch this new system, and 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.

Interest/Dividend

The Board approved and declared an interest of 10% to be credited to members' contribution accounts at a cost of \$53.4 million.



Death Benefit

The Special Death Benefit is \$5,000. Total Death benefits paid out during the year was \$766,492, a decrease of 10% when compared to the previous year at \$846,500.

Pension Scheme

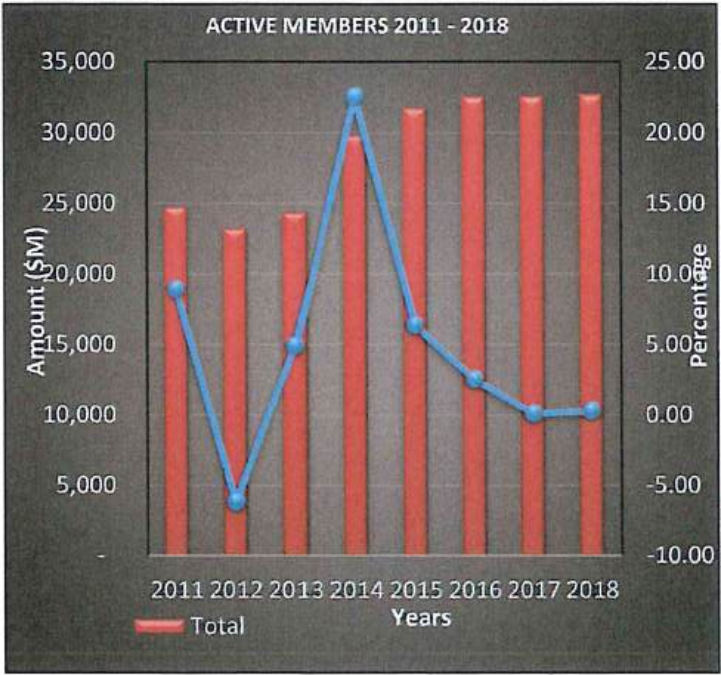
For the Retiree Pension Scheme, 181 pensioners remained at year end, a slight decrease of 1.6% when compared to 184 in the previous year. A total of 118 beneficiaries remained at year end, an increase of 7% when compared to 111 in the previous year. This increase was due largely to beneficiaries who 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 were no new pensioners (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 \$630,278, a decrease of 11% when compared to \$710,393 in the previous year. The pension pool was \$3.7mill at year end, a decrease of 13% from \$4.3mill in the previous year. No transfer was made to the Pension Pool during the financial year.



***PUBLIC CONSULTATIONS WITH EMPLOYERS ON
NEW PORTAL SYSTEM***

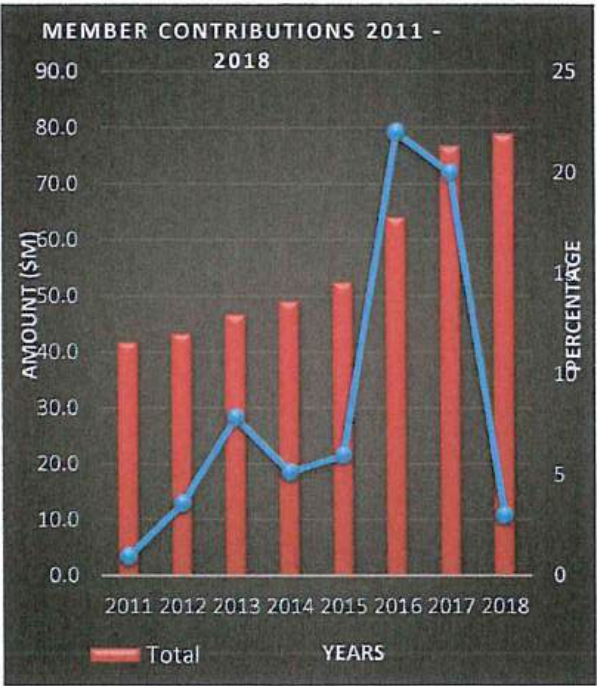


ACTIVE MEMBERS



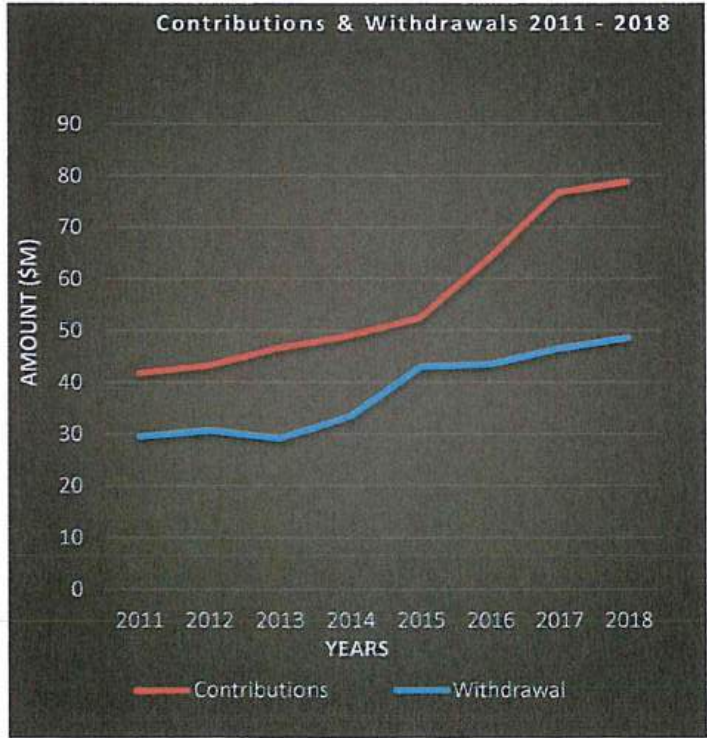
Graph 1

MEMBERS' CONTRIBUTIONS



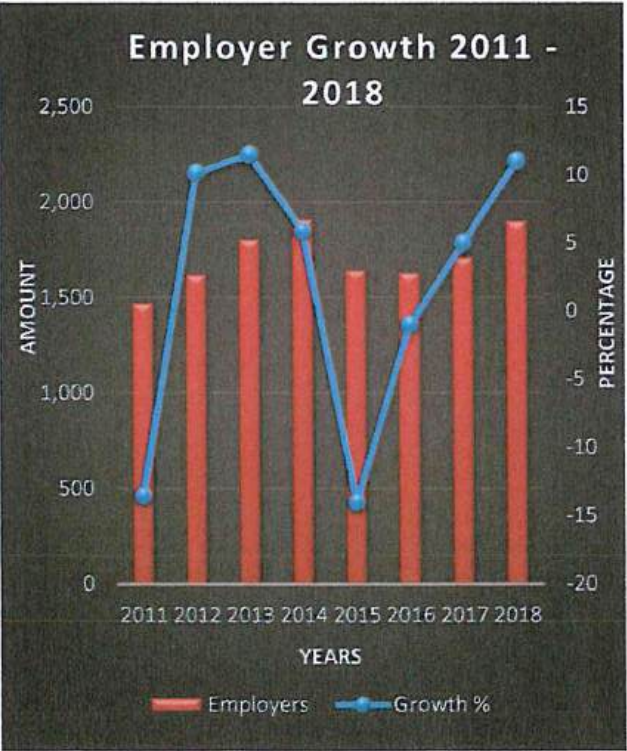
Graph 2

CONTRIBUTIONS AND WITHDRAWALS



Graph 3

EMPLOYERS' GROWTH



Graph 4

CORPORATE SERVICES

HUMAN RESOURCES

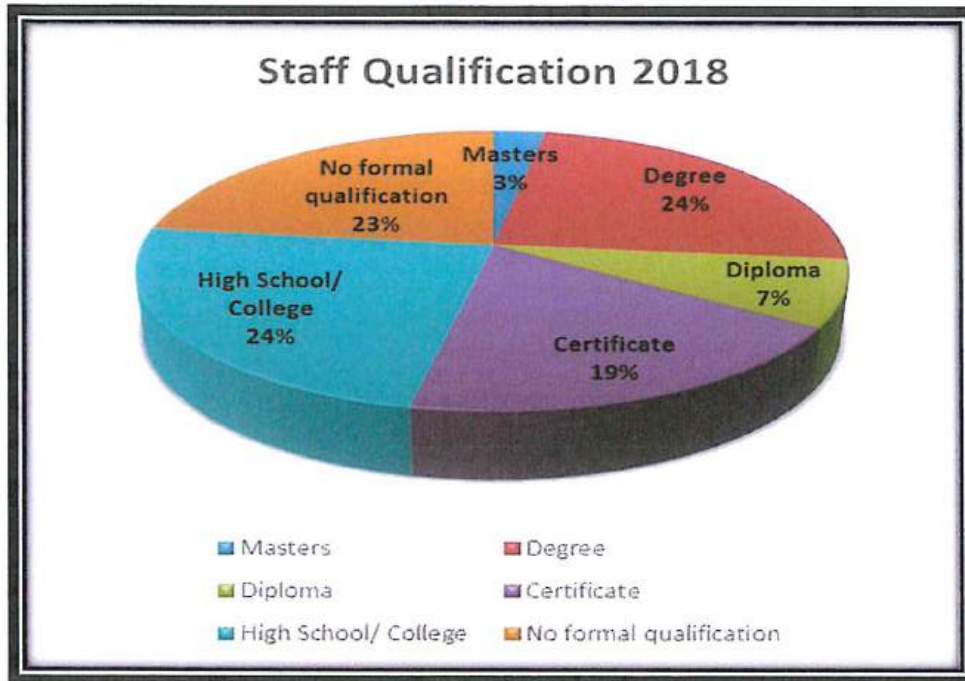


Our Corporate Services division oversees the various aspects of human resource management within the Fund, such as compliance with labour laws and employment regulations, administration of employee benefits and recruitment and retention of employees. We also ensure that employees are well-versed in their area of expertise and essentially our purpose is to maximize productivity by optimizing the effectiveness of our employees.

The division encourages further studies to attain higher qualifications whereby flexible hours are offered so that employees can attend lectures and tutorials during working hours. Financial rewards are offered for courses successfully passed and for completion of qualification. Special leaves for study and exams are benefits available for employees who are willing to develop themselves academically. The Fund also offers an Education Loan Scheme that the staff can utilize for payment of tuition fees and to purchase much-needed resources such as text books and laptops.



The current Human Resource composition of staff qualification is demonstrated in the following:



Graph 5

Composition of Degree/Diploma and Certificate have increased since last year as we tend to hire the best candidates with most relevant practical experiences and academically qualified. There are also a number of College graduates who are employed in the senior and Officer Level who have been long serving employees of the Fund with practical experience in their field of work, who are able to transfer knowledge to their younger colleagues through on-the-job training. Our clerk level positions are mainly in the Certificate category particularly those with Foundation Certificates. Our supporting staff that includes the night-watchmen, cleaners and drivers are under the category with no formal qualifications.

Staff Development

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

- ✓ Investment refresher on Small Loans and Short Term Loan Offsets
- ✓ Understanding financials
- ✓ ICT System training
- ✓ Blackrock Offshore Investment
- ✓ Induction program for new recruits
- ✓ HR management information system project
- ✓ External trainings provided by the Public Service Commission and Chamber of Commerce

Employment performance appraisals were done bi-annually in the financial year whereby the performance of each individual staff member was evaluated and measured focusing on their objectives, expectations and result areas. Rewards in terms of bonuses and salary increments were based on performance quality.

CUSTOMER SERVICES

Customer service is very important in the Fund's daily operations focusing on delivering and providing a professional service to the country and the most helpful assistance in all areas of our

mandate. Management has continuously addressed this issue with the staff to improve customer satisfaction level through our regular management and staff meetings.

Our website and Facebook page have been regularly updated to cater for our members. The Fund continues to monitor the quality of our customer service delivery to the public through:

- ✓ Staff Performance Assessment
- ✓ Departmental Annual Plan Review
- ✓ Monthly and Quarterly Management Meetings
- ✓ Monthly staff meetings
- ✓ Customer care in-house and local external trainings

Staff Count and Movement

The Fund has a total of 143 staff members at end of June 2018. During this financial year 17 staff members ceased services with the Fund due to migration and promotion to other organisations.

LEGAL SERVICES

The Legal department is in charge of all legal matters for the Fund, in particular the recovery of funds from loan accounts transferred from the Investment division, recovery of members' contributions from employer accounts, provide opinions and advice to the Samoa National Provident Fund Board and Management and represent the Fund in any legal proceedings involving the Fund.

The total value of Investment loans with the Legal Department at the beginning of the financial year was \$9 million. At the end of this financial year, total investment loans with Legal department had increased to \$13.3 million or 8.27% of the investment loan portfolio and 3.33% of the total Loans and Advances of the Fund. This is mainly due to the transfer of several new files close to the end of the financial year for legal recovery.

At the beginning of the year, arrears relative to members' contributions was \$113,565.84. This was reduced by 70.28% to \$33,756.77 at the end of the financial year.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Information technology and communication plays a critical role in any organization. It is a tool we utilize to provide better services to our members and assist with daily operations.

New Technology and Systems

The Fund has invested in implementing newer technology systems to enhance its services, security and integrity of its data, and to provide an online platform for members to readily access their information. These new systems are known as Fund Management System, Financial Management Information System and Human Resource Management System. As part of the focus for this financial year, the Fund has committed to improving its ICT infrastructure by upgrading older machines used by staff to newer and modern technology suitable for the operation of the new systems.

ICT Infrastructure Upgrade

Infrastructure upgrade was conducted to replace staff old PCs that were running on the Windows XP operating system to the newer Windows 10. The upgrade includes: replacement of CPU units, Monitors, UPS, keyboards and mouse. The upgrade also includes: replacement of old server machines that were used to host our email and file servers. These replacements are the newer hardware servers utilizing the VMWare technology for virtual environments.

The Fund has also invested in the backup software called Acronis Virtual backup as a tool to maintain backups of its virtual infrastructure as part of the ICT disaster and recovery plan. Furthermore, ICT have acquired a NAS storage device as alternative means of backup and storage of files.

Internet connection and Remote links

The Fund has changed Internet Service Providers (ISP) from Computer Services Ltd to Digicel Samoa. This has resulted in a markedly greater improvement in connection speed and data allowance available for monthly operations.

To ensure business continuity, ICT have setup dual links for its remote branches at Vaitele and Savaii. This links utilize the SNBH Network and the Digicel VLAN connections. In the event one link is down, the second will be able available to service the connection.

INTERNAL AUDIT

The internal audit is an objective assurance and consulting activity designed to add value and improve the Fund's operations to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In so doing, the Audit continues with its commitment to play a pivotal role within the Fund's internal control framework by conducting internal audit reviews on selected auditable areas based on the level of risk that each area of operations poses for the Fund.

During this year under review Member benefits and Investment processes had been required higher reassurance from us and our appraisals and reviews had been emphasized in these areas of operations. Internal Audit had been required to carry out and report on suspected frauds and irregularities as part of our responsibilities.

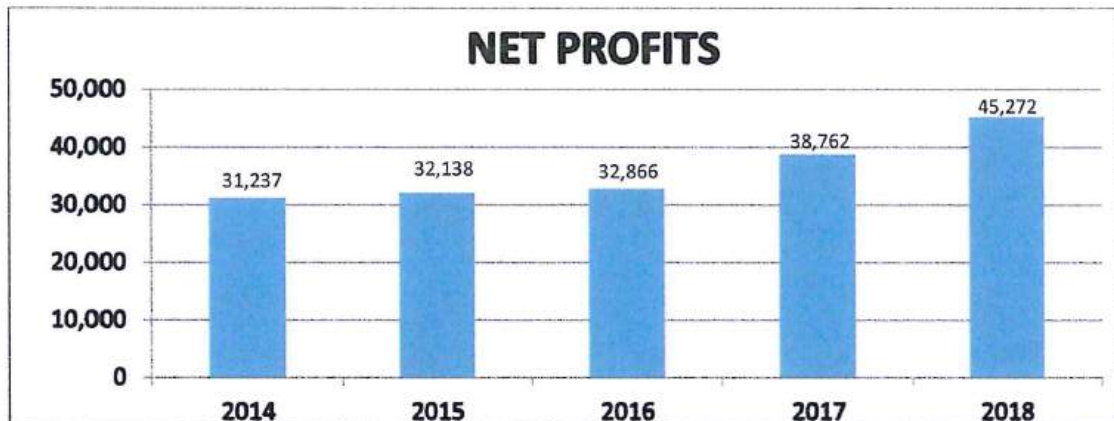
All results and findings of Internal Audit reviews and appraisals had been communicated to Management and Audit Committee. During this year our Audit Committee had met on a quarterly basis to discuss and resolve on the results of our reviews.

The Samoa National Provident Fund Audit Committee continues to work together with the Internal Audit function to ensure our role is carried out in an efficient and effective manner.

C. OVERVIEW OF FINANCIAL PERFORMANCE AND RESULTS

FINANCE DEPARTMENT

Financial performance

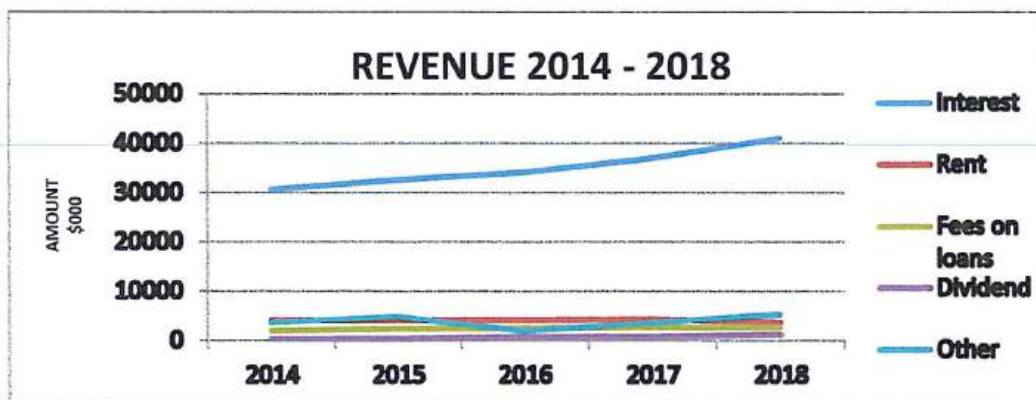


Graph 6

Every year, the Board approves an ambitious annual budget to outperform prior years and encourages management and staff effort to reach new performance horizons. For 2018, the Fund had a strong financial year demonstrated by the 10% growth in reported profits compared to budget and 17% growth compared to 2017 profits. This is attributed primarily to the exceptional performance of the offshore investment, growth in interest revenue from the lending portfolio and the stringent controls over spending by maintaining actual total expenditure and depreciation at 12% below budget.

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. Despite the limited opportunities to diversify its earning capacity, the Fund's offshore investment performed quite well this financial year and it exceeded budget expectations. Other source of revenue such as dividend income from equity holdings growth was also noted this year.



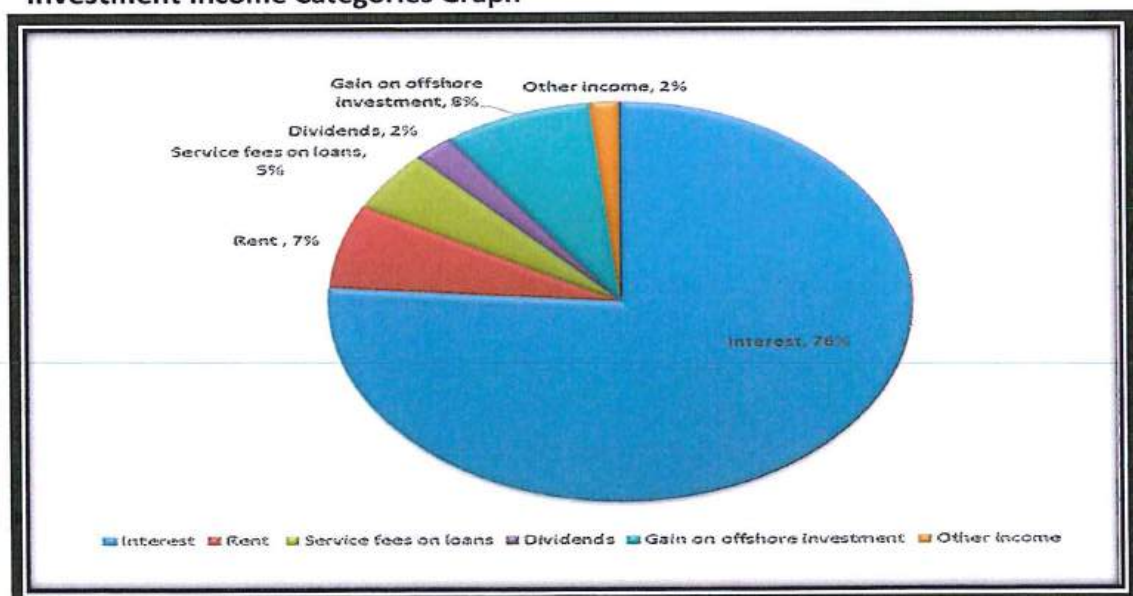
Graph 7



INVESTMENT INCOME CATEGORIES

Interest earned from loans and advances, term deposits, land debtor properties, convertible notes and cash accounts continue to be the major source of revenue item for the Fund making up about 83% of total income whilst 17% is from other investments as depicted in **Graph 11**.

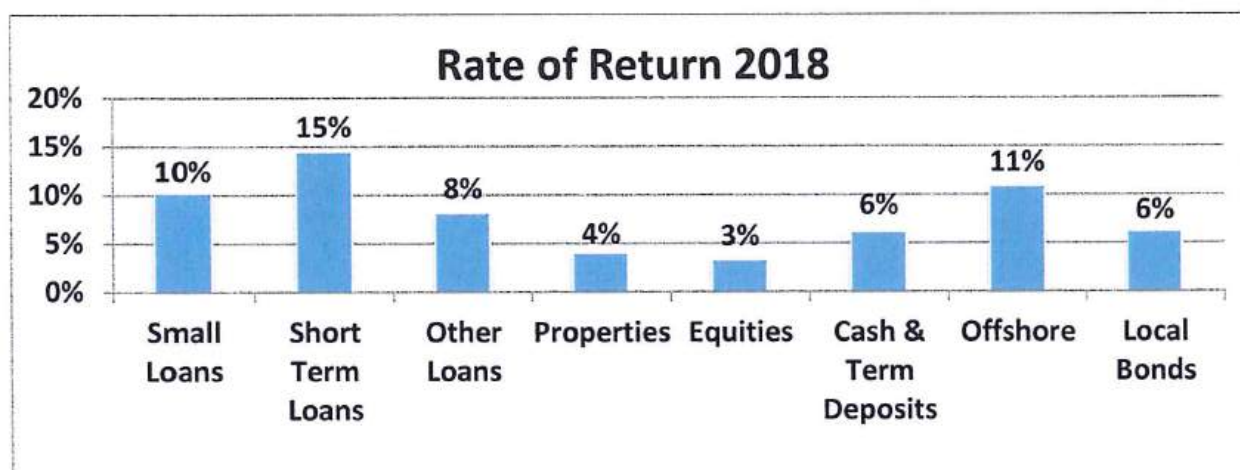
Investment Income Categories Graph



Graph 11

Interest on loans remains the main revenue earner which funds the annual interest payable to members. It is the intention of Management to maintain and increase the substantial loans portfolio to continue to assist members and employers from all walks of society, to achieve their dreams and aspirations whilst contributing to the overall national interest of the country by stimulating economic activity and gross domestic product.

Graph 12 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 12

D. 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. It is planned that the vision, mission and motto of the Fund will be reviewed for relevance in the new financial year. We set very high and ambitious targets this year in the hope to challenge staff to lift performance to the next level and to foster an ethos of continuous improvement.

The following table presents a summary of targets achieved by department at 30 June 2018.

Table 1

Summary of Targets Achievement
Year ended 30 June 2018

	Achieved	%	Partially Achieved	%	Not Achieved	%	Total
1 Executive	18	95%	19	100%	0	0%	19
2 Members	18	86%	3	14%	0	0%	21
3 Finance	19	90%	1	5%	0	0%	20
4 ICT	15	71%	6	29%	0	0%	21
5 Corporate	17	81%	4	19%	0	0%	21
6 Legal	16	76%	5	24%	0	0%	21
7 Internal Audit	17	81%	4	19%	0	0%	21
8 Investment	17	81%	4	19%	0	0%	21
9 Senior Citizen	20	95%	1	5%	0	0%	21
	157	84%	47	25%	0	0%	186

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.

E. CAPITAL EXPENDITURE AND PROJECTS

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

Table 2

Category	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year to Date
Land & Building	4,011,443	2,988,726	41,690	109,593	7,151,452
Computer System		46,558		32,588	79,146
Motor Vehicle		80,000	106,000		186,000
Plant & Equipment	31,288	36,150	6,599	74,981	149,018
WIP*	27,160	425,295	179,744	115,583	747,782
Total	4,069,891	3,576,729	334,033	332,745	8,313,398

*work in progress - Elevator, Building Renovations and Replacement & Accounting system

F. 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.

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 the pipeline are investments with the Unit Trust of Fiji and possibly other regional co-investment with our partners in the Pacific Island Investments Forum (PIIF).

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.

Low Deposit Rates

In terms of domestic term deposits, the Fund is experiencing an average of 4% - 6% per annum. This is still low compared to the high interest rates on fixed deposits experienced by the Fund before the economic crisis which was average at 7% to 9% annually.

G. OUTLOOK FOR THE NEXT YEAR

The basic and overarching principle that will premise all decision making at the Fund as mooted and established in 2017 is twofold and applied in unison;

1. Maximise returns for its members
2. Minimise the risk to those returns

From these principle tenets we can foresee the following broader strategies for the new year;

Continuous Review of the Lending and Properties Portfolio

The lending portfolio generates 76% of the Fund's revenue and Management needs to maintain this. We are also working on refining and reviewing our lending products to enable us to respond favourably to opportunities that provide a good business case for the Fund's investment. The property and equity portfolios are areas we need to look at more closely next year for recalibration and redevelopment as the Fund is generating a very low return therefrom.

Management & Continuation of the Offshore Investment Strategy

About 5% of our Investment Portfolio is invested offshore with our fund manager BlackRock in Australia. The dollar value for this investment was reduced this year due to the repatriation of about \$12.2 million tala to help fund our record dividend payout. However, Management has decided to maintain the balance of about \$30 million tala in Australia to regenerate returns. It is planned to

increase our offshore portfolio to around 10% to 12% by seeking further international investment opportunities in Fiji through UTOF as well as pursuing other potential co-investment opportunities with our regional partners in the Pacific Island Investments Forum (PIIF).

Complete the replacement ICT systems project

The Fund aims to complete this project prior to December 2018. Project aims to increase system performance and reliability, delivering information via readily available reports, enhancing of data security and integrity thereby improving current business processes by adding efficiencies and introducing innovative ways for members and employers to access their information online.

Tighter controls over Expenditures

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

FINAL THOUGHTS

I wish to surrender all the praise and glory to our great God and Lord Jesus Christ for the abundance of his Grace and his great favour on the Samoa National Provident Fund, without whom all our efforts would be in vain and amount to nothing. For the words of the apostle Paul resound ever so clearly, "If God is for us, who can ever be against us?". Praise his mighty name!

I thank and acknowledge the great vision and unwavering support of the Chairman and the Board of Directors for 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 for their strong leadership guaranteeing that all our plans come to fruition. It is indeed an honour to work with and alongside the best management team in the country.

Last but not least, I express my deep gratitude and thanks to all my staff for their hard work and steadfast dedication that has made it possible to achieve all our targets.

Yours sincerely,



Pauli Prince Suhren
CHIEF EXECUTIVE OFFICER

SAMOA NATIONAL PROVIDENT FUND

FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2018

**SAMOA NATIONAL PROVIDENT FUND
FOR YEAR ENDED 30 JUNE 2018**

TABLE OF CONTENTS

	Page(s)
Management's Statement	3
Director's Report	4
Statement of Net Assets	5
Statement of Changes in Financial Performance	6
Statement of Contributions	7
Statement of Cashflows	8
Notes to Financials	9 - 16
Auditor's Report	17 - 19

**SAMOA NATIONAL PROVIDENT FUND
MANAGEMENT'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

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 maintains accounting and internal control systems that include written policies and procedures. 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 Board of Directors oversees management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the Board of Directors on recommendation from management.

Our independent auditors (BDO Samoa, Chartered Accountants), having been appointed by the Samoa Audit Office have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.

Pauli Prince Suhren
Chief Executive Officer

Dated:



29 October 2018

Luana Esera
Chief Finance Officer

Dated:



29 October 2018

TO THE MEMBERS - SAMOA NATIONAL PROVIDENT FUND

CERTIFICATION BY DIRECTORS

We certify that the attached financial statements for Samoa National Provident Fund for the

- (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 circumstances 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 Sunita Afereti Uili	Director
4. Mr Masoe Norman Wetzell	Director
5. Mr Lealiiee Rudi Ott	Director
6. Mr Sala Pesamino Niupulusu Leo	Director
7. Mrs Margaret Fruean Misiolo	Director
8. Mr Namulauulu Sami Leota	Director

We authorize the attached financial report for issue on the 29 October, 2018 on behalf of the directors of Samoa National Provident Fund.



Tupa'imatuna Iulai Lavea
Chairman
29 October, 2018



Patrick Rasmussen
Director
29 October 2018

SAMOA NATIONAL PROVIDENT FUND


STATEMENT OF NET ASSETS

AS AT 30 JUNE 2018


	<i>Notes</i>	30 June 2018	30 June 2017
		\$	\$
<u>ASSETS</u>			
Cash and cash equivalents	7	108,927,984	85,255,995
Inventories		1,653,471	2,318,273
Account receivables	12	551,175	1,110,876
Accrued income and prepayments	13	810,317	1,150,001
UTOS note		6,000,000	8,000,000
Equity Investments	9	46,858,001	40,893,176
Loans and advances	10	438,107,794	405,249,766
Term receivables from land sales	11	155,786	202,951
Investment properties	14	87,313,249	85,588,942
Property, plant and equipment	14	8,825,495	4,242,600
TOTAL ASSETS		699,203,272	634,012,580
<u>LIABILITIES</u>			
Trade and other payables	15	791,528	829,075
Employer subsidiary accounts	16	1,629,844	973,103
Provisions	17	453,464	3,435,591
TOTAL LIABILITIES		2,874,836	5,237,769
NET ASSETS		696,328,436	\$628,774,811
<u>Represented by:</u>			
Contributions		650,553,377	588,615,452
General reserve	3	25,096,744	18,911,569
Unclaimed deposits	4	2,767,749	2,665,426
Pension pool	5	3,072,961	3,744,759
Asset revaluation surplus	6	14,837,605	14,837,605
NET ASSETS AVAILABLE FOR BENEFITS		696,328,436	\$628,774,811

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

On behalf of the Board:


Tupuimatuna Iulai Lavea
CHAIRMAN

29 October 2018


Galumalemana Patrick Rasmussen
DIRECTOR

29 October 2018

SAMOA NATIONAL PROVIDENT FUND
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
<u>INVESTMENT INCOME</u>			
Interest Income	18	41,010,081	37,009,059
Rent Income	19	3644019.00	4,373,797
Service fees on loans		2,649,822	2,811,124
Dividends		1,239,703	769,149
Other income	20	5,313,553	3,690,152
		53,857,178	48,653,281
<u>EXPENDITURE</u>			
Audit fees		76,449	57,742
Board expenses		40,262	36,080
Building maintenance		228,237	229,275
Directors fees		108,000	108,000
Doubtful loans and debts		190,688	266,760
Personnel costs	21	3,768,838	3,946,079
Rent expenses	22	367,698	367,698
Other operating costs	23	1,798,412	2,623,243
		6,578,584	7,634,877
Net surplus before depreciation		47,278,594	41,018,404
Depreciation	14	2,006,613	2,256,156
Net surplus from investment income		45,271,981	38,762,248
Add/(less):			
Net increase/(decrease) in Members' Contributions		61,937,925	55,776,005
Net increase/(decrease) in Unclaimed Deposits		102,323	207,209
Net decrease in Asset Revaluation surplus		-	(6,177,521)
<i>Benefits paid from/to General Reserve:</i>			
Statutory charges		2,901,058	942,738
Interest credited to contributions		(39,901,640)	(37,085,375)
Death benefit paid		(782,795)	(766,492)
Prior year adjustment		2,926	(1,334)
Bonus 4% on withdrawal or death		(723,755)	(698,616)
Dividend 3% interest		(582,600)	-
<i>Benefits paid from/to Pension Reserve:</i>			
New Pension account from withdraw contribution		143,522	-
Pension payments (net of redemptions)		(815,320)	(630,278)
Total changes in net assets for the year		67,553,625	50,328,584
Net assets available for benefits at beginning of year		628,774,811	578,446,227
Net assets available for benefits at year end		696,328,436	628,774,811

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

SAMOA NATIONAL PROVIDENT FUND
STATEMENT OF CONTRIBUTION ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2018

	<u>Judiciary</u> <u>Retirement</u> <u>Fund</u>	<u>Education</u> <u>Fund</u>	<u>National</u> <u>Provident Fund</u>	<u>TOTAL</u>	
				30 June 2018	30 June 2017
				\$	\$
Balance at beginning of year	1,141,391	88,044	587,386,017	588,615,452	532,839,447
<i>Plus:</i>					
Contribution for the year	283,097	41,912	78,933,033	79,258,042	76,876,054
Contributions from UDA	0	0	91,949	91,949	11,777
Interest on members accounts	77,380	13,308	39,810,951	39,901,639	37,085,375
	<u>1,501,868</u>	<u>143,264</u>	<u>706,221,950</u>	<u>707,867,082</u>	<u>646,812,653</u>
<i>Less:</i>					
Withdrawals	145,273	29,353	48,533,088	48,707,714	46,543,313
Statutory charges	1,421	1,309	2,898,328	2,901,058	942,738
Loans offset against contributions	0	0	5,704,933	5,704,933	10,711,150
	<u>146,694</u>	<u>30,662</u>	<u>57,136,349</u>	<u>57,313,705</u>	<u>58,197,201</u>
 Due to members at year end	 <u>1,355,174</u>	 <u>112,602</u>	 <u>649,085,601</u>	 <u>650,553,377</u>	 <u>588,615,452</u>
 Net increase in Members' Contributions				 <u>61,937,925</u>	 <u>55,776,005</u>

The relevant accompanying notes form part of this Statement of Contribution Account.

SAMOA NATIONAL PROVIDENT FUND
STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2018

	30 June 2018	30 June 2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Contributions received	\$79,914,783	77,354,872
Unclaimed deposits	\$194,272	218,986
	<u>\$80,109,055</u>	<u>77,573,858</u>
Cash was used for:		
Contributions withdrawn	\$48,707,714	46,543,313
Pensions paid (net of redemptions)	\$671,798	630,277
Death benefits paid	\$782,795	766,492
Bonus 4% on withdraw & death benefit	\$723,755	698,616
Dividend Payout (Interest 3%)	\$582,600	-
Operating expenses	\$9,557,261	5,363,028
	<u>\$61,025,923</u>	<u>54,001,726</u>
Net cash flows provided from operating activities	\$19,083,132	23,572,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Interest income (excluding interest on loans & advances)	\$2,700,345	1,743,025
Dividend received	\$1,239,703	1,227,149
Repayments on loans and advances	\$116,758,644	108,805,248
Rent income	\$4,186,154	3,276,241
UTOS note	\$2,000,000	-
Proceeds from land stock	\$703,824	90,000
Proceeds from sale of fixed assets	\$63,374	-
Gains on Offshore Investments	\$4,447,658	3,287,018
Other income from investing activities	\$3,186,709	1,649,559
	<u>\$135,286,411</u>	<u>120,078,240</u>
Cash was used for:		
Loans and advances disbursements	\$116,418,916	151,125,847
Equity investments	\$5,964,825	527,468
UTOS note	\$0	1,000,000
Purchase of fixed assets	\$8,313,814	1,243,590
	<u>\$130,697,555</u>	<u>153,896,905</u>
Net cash flows provided from/ (used in) investing activities	\$4,588,856	(33,818,665)
NET INCREASE / (DECREASE) IN CASH	\$23,671,988	(10,246,533)
OPENING CASH BALANCES	\$85,255,995	95,502,528
CLOSING CASH BALANCES	<u>\$108,927,983</u>	<u>85,255,995</u>
Represented by:		
Cash and Cash Equivalents	<u><u>\$108,927,984</u></u>	<u><u>85,255,995</u></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 2018

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.

These financial statements are the separate financial statements of the Samoa National Provident Fund as the Board of Directors has elected not to prepare consolidated financial statements.

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

The principal accounting policies of the Fund are as follows:

Changes in accounting policies

New standards, interpretations and amendments effective from 1 July 2018

There were no new standards or interpretations effective for the first time for periods beginning on or after 1st July 2018 that had a significant effect on the Fund's financial statements.

New and amended standards adopted by the Fund.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1st July 2017 that have a material impact on the Fund.

New standards, amendments, annual improvements and interpretation that have been issued but are not mandatorily effective as at 30th June 2018.

Certain new standards, amendments, annual improvements and interpretation which are not yet mandatorily effective and have not been adopted early in these financial statements, will or may have an effect on the Fund's future financial statements. The Fund intends to adopt these standards, amendments, annual improvements and interpretation if applicable, when they become effective:

- Annual Improvements to IFRSs 2015 -2017 Cycle.
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatment.
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration.
- New Standards which are applicable for periods beginning on or after 1st January 2018. The Fund determines the following with reference to the new standards from 1 July 2018:
 - o IFRS 9: Financial Instruments – will adopt the standard which will result in valuing the equity investment at fair value and not historical cost. The Fund expects a significant decrease in the value of the equity investment.
 - o IFRS 15: Revenue from Contracts with Customers.
 - o IFRS 16: Leases

(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.

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(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.

(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. Units held at the Unit Trust of Samoa are stated at fair value based on monthly unit price.

(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 10% was declared for the year ended 30 June 2018. Of this 10%, 3% portion was made available as a cash payment to all members and 7% credited to members' accounts (June 2017: 7.2%)

(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) Inventory

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 many buildings.

(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
Computer Systems & Software	10%	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.

(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.

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
3 <u>GENERAL RESERVE</u>		
Opening balance	18,911,569	17,758,400
Add:		
Profit for the current period	45,271,981	38,762,248
Statutory charges	2,901,058	942,738
Adjustments	2,926	(1,334)
	<u>67,087,534</u>	<u>57,462,052</u>
Deduct:		
Death benefit paid	782,795	766,492
Interest credited to members accounts (7%)	39,901,640	37,085,375
Dividend Payout (Interest 3%)	582,600	-
Bonus 4% on withdrawal and/or death	723,755	698,616
	<u>41,990,790</u>	<u>38,550,483</u>
Balance at 30 June 2018	<u><u>25,096,744</u></u>	<u><u>18,911,569</u></u>
4 <u>UNCLAIMED DEPOSITS</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Opening balance	2,665,426	2,458,217
Portion identified during the period	(165,104)	(61,118)
Unclaimed deposits during the period	359,376	280,104
Transfer to/from Contributions	(91,949)	(11,777)
Balance at 30 June 2018	<u><u>2,767,749</u></u>	<u><u>2,665,426</u></u>
Net Increase in Unclaimed Deposits	<u><u>102,323</u></u>	<u><u>207,209</u></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.		
5 <u>PENSION POOL</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Opening balance	3,744,759	4,375,036
New Pension accounts	143,522	-
Withdrawal	(231,026)	-
Pension paid to pensioners	(584,294)	(630,277)
Pension redemption	-	-
Balance at 30 June 2018	<u><u>3,072,961</u></u>	<u><u>3,744,759</u></u>
Represents contribution 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 subject to Board approval.		
6 <u>ASSET REVALUATION SURPLUS</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Opening balance	14,837,605	21,015,126
Revaluation during the year	-	(6,177,521)
Balance at 30 June 2018	<u><u>\$14,837,605</u></u>	<u><u>\$14,837,605</u></u>
Revaluation surplus balance relates to revaluation of land and buildings. Also refer Note 14.		
7 <u>CASH AND CASH EQUIVALENTS</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Petty cash and cashier float	550	500
Cash at banks	45,139,740	13,176,020
Term deposits*	31,090,000	31,090,000
Global Investment - Blackrock, Australia**	32,697,694	40,989,475
Balance at 30 June 2018	<u><u>\$108,927,984</u></u>	<u><u>\$85,255,995</u></u>

*The term deposits are invested over different periods ranging 6 to 12 months, and at interest rates averaging at 5% per annum.

**Repatriation of Global Investment offshore (Blackrock) funds in May 2018 of AUD \$6.4m equivalent to SAT\$12.3m.

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8 INVENTORIES	30-Jun-18	30-Jun-17
	\$	\$
Land held for sale	1,643,557	2,300,216
Building Consumable	9,914	18,057
Balance at 30 June 2018	\$1,653,471	\$2,318,273

9 EQUITY INVESTMENTS	The Fund's Shareholding	30-Jun-18	30-Jun-17
		\$	\$
Aggie Grey's Beach Resort	54%	34,238,337	31,405,000
Computer Services Ltd	67%	1,101,750	1,101,750
CSL Mobile Ltd	50%	1,921,516	1,045,244
Samoa Submarine Cable Company	20%	4,135,404	2,092,955
UTOS units		5,460,994	5,248,228
		46,858,001	40,893,177
Less Provision for Diminution of Shares		-	-
Carrying value of shares		\$46,858,001	\$40,893,177

10 LOANS AND ADVANCES		30-Jun-18	30-Jun-17
		\$	\$
Small loans	(a)	219,943,727	197,951,450
Short term loans	(b)	30,451,818	28,794,597
Investment loans	(c)	163,811,653	159,511,183
Lamana convertible loan		22,001,232	20,950,225
AGBRS convertible loan		4,042,841	-
Lease receivable - NZ Buildings		1,220,552	1,535,712
Gross loans and advances		441,471,823	408,743,167
Deduct provision for suspended interest & fees		(823,160)	(621,466)
Deduct provision for doubtful loans		(2,540,869)	(2,871,935)
Net loans and advances		\$438,107,794	\$405,249,766
Current		\$106,353,800	\$102,701,229
Non current		\$335,118,024	\$306,041,938
Gross loans and advances		\$441,471,824	\$408,743,167
Movement per provision for doubtful loans:			
Opening balance		2,871,935	2,934,444
Movement in provision during the year		-	129,458
Loans written off against provision		(331,066)	(191,967)
Ending balance		2,540,869	2,871,935

- (a) Member can borrow 50% of their SNPF contributions. These small loans are charged interest at 9.5% per annum. Included are members loans to directors totalling \$196,121 and key management personnel circa \$675,202
- (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 \$83,051 And key management personnel circa \$2,017,528

11 TERM RECEIVABLES FROM LAND SALES	30-Jun-18	30-Jun-17
	\$	\$
Land debtors	155,786	202,951
	\$155,786	\$202,951

Term receivables are charged interest at 10% per annum for a repayment period of ten years. Legal transfer to title is not made until the full price of the land plus outstanding interest have been paid.

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12	<u>ACCOUNT RECEIVABLES</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
		\$	\$
	Trade receivables	1,136,438	1,533,723
	Provision for doubtful debts	(533,938)	(533,938)
		602,500	999,785
	BMR account*	(51,325)	111,090
	Balance at 30 June 2018	<u>\$551,175</u>	<u>\$1,110,875</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.

<u>Movement per provision for doubtful debts</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	\$	\$
Opening balance	533,938	503,075
Additional provision during period	-	124,138
Write off against provision	-	(93,275)
Ending balance	<u>533,938</u>	<u>533,938</u>

13	<u>ACCRUED INCOME AND PREPAYMENTS</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
		\$	\$
	Accrued income	704,701	1,032,022
	Prepayments	105,616	117,979
	Ending balance	<u>\$810,317</u>	<u>\$1,150,001</u>

14 **INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT**

<u>30 JUNE 2018</u>	<u>Ending Cost</u>	<u>Accumulated Depreciation</u>	<u>Ending WDV</u>	<u>Depreciation for the period</u>
(a) <u>INVESTMENT PROPERTIES</u>				
Land	27,583,750	-	27,583,750	-
Buildings	62,039,109	2,309,610	59,729,499	1,602,940
Total Investment Properties	<u>\$89,622,859</u>	<u>\$2,309,610</u>	<u>\$87,313,249</u>	<u>\$1,602,940</u>
(b) <u>PROPERTY, PLANT AND EQUIPMENT</u>				
Land	910,000	-	910,000	-
Buildings	5,543,627	202,886	5,340,741	73,344
Motor vehicles	809,490	636,893	172,597	73,400
Computer Systems/Software's	1,341,462	1,189,088	152,374	53,110
Plant and equipment	3,556,848	3,254,706	302,142	124,899
Fixtures and fittings	2,192,768	2,021,970	170,798	78,920
WIP - New Computer System & Elevators	1,776,843	-	1,776,843	-
Total Property, Plant & Equipment	<u>\$16,131,038</u>	<u>\$7,305,543</u>	<u>\$8,825,495</u>	<u>\$403,673</u>
TOTAL	<u>\$105,753,897</u>	<u>\$9,615,153</u>	<u>\$96,138,744</u>	<u>\$2,006,613</u>
<u>30 JUNE 2017</u>	<u>Ending Cost</u>	<u>Accumulated Depreciation</u>	<u>Ending WDV</u>	<u>Depreciation for the period</u>
(a) <u>INVESTMENT PROPERTIES</u>				
Land	21,118,000	-	21,118,000	-
Buildings	65,287,030	816,088	64,470,942	1,848,193
Total Investment Properties	<u>\$86,405,030</u>	<u>\$816,088</u>	<u>\$85,588,942</u>	<u>\$1,848,193</u>
(b) <u>PROPERTY, PLANT AND EQUIPMENT</u>				
Land	910,000	-	910,000	-
Buildings	1,610,000	20,125	1,589,875	58,443
Motor vehicles	775,990	715,994	59,996	53,498
Computer Systems/Softwares	1,262,317	1,135,978	126,339	124,657
Plant and equipment	3,534,664	3,257,055	277,609	93,468
Fixtures and fittings	2,192,768	1,943,046	249,722	77,897
WIP - New Computer System & Elevators	1,029,059	-	1,029,059	-
Total Property, Plant & Equipment	<u>\$11,314,798</u>	<u>\$7,072,198</u>	<u>\$4,242,600</u>	<u>\$407,963</u>
TOTAL	<u>\$97,719,828</u>	<u>\$7,888,286</u>	<u>\$89,831,542</u>	<u>\$2,256,156</u>

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14 INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT (continued)

The recent revaluation of lands and buildings was carried out in April 2015 by Seagar & Partners, an independent valuer from New Zealand, and the properties in Brussels was valued in October 2016 by Cap Sud, an independent valuer from Brussels. The revaluation was recorded in December 2016 upon the completion of the valuation exercise and approval obtained from Board. This exercise was undertaken to establish fair market for the purpose of financial reporting in accordance with IFRS.

<u>Reconciliation per Note 14 (a) and (b)</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Opening book value	89,831,542	97,027,581
Revaluation	-	(21,596,780)
Additional assets purchased	8,313,861	1,243,591
Disposals of assets	(279,790)	(281,636)
Depreciation charged	(2,006,610)	(2,256,156)
Accumulated depreciation reversed upon disposal	279,744	15,694,942
Ending book value	<u>96,138,747</u>	<u>89,831,542</u>

15 TRADE AND OTHER PAYABLES

	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Rent received in advance	180,021	197,585
Sundry Creditors and Accruals	474,022	501,984
VAGST payable	137,485	129,506
	-	-
Balance at 30 June 2018	<u>\$791,528</u>	<u>\$829,075</u>

16 EMPLOYER SUBSIDIARY ACCOUNTS

	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Employers subsidiary	(1,493,040)	(836,299)
Less: Provision for doubtful employer balances	(136,804)	(136,804)
Balance at 30 June 2018	<u>(1,629,844)</u>	<u>(973,103)</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. Surcharges are charged on employers accounts for outstanding contributions not submitted to the Fund.

17 PROVISIONS

	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Accruals for audit fees	92,376	54,982
Provision for arbitration	-	2,889,068
Provision for employee benefits	361,088	491,541
Balance at 30 June 2018	<u>\$453,464</u>	<u>\$3,435,591</u>

Movement per provision:	<u>Audit Fees</u>	<u>Legal Settlement</u>	<u>Employee Benefits</u>	<u>Total 2018</u>	<u>Total 2017</u>
Opening balance	54,982	2,889,068	491,541	\$3,435,591	\$1,695,330
Additional provision	92,376	-	95,200	187,576	\$1,915,725
Payments	-	(2,889,068)	(225,653)	(3,114,721)	-\$175,464
Reverse provision	(54,982)	-	-	(54,982)	-
Ending balance	<u>92,376</u>	<u>-</u>	<u>361,088</u>	<u>453,464</u>	<u>\$3,435,591</u>

18 INTEREST INCOME

	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>\$</u>	<u>\$</u>
Term deposits	1,723,927	1,237,267
Loans and advances	38,637,056	35,134,103
Land debtors	18,172	24,918
UTOS note	436,000	518,500
Bank accounts	194,926	94,271
Balance at 30 June 2018	<u>\$41,010,081</u>	<u>\$37,009,059</u>

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

19 RENT INCOME	30-Jun-18	30-Jun-17
	\$	\$
NPF Building - Other tenants	505,848	508,789
NPF Building - Own use by SNPF	326,298	326,292
NPF Building - Carpark	141,518	40,155
Samoa House & New Chancery Office Building	242,057	225,277
Yazaki Building	232,008	928,032
SNPF Plaza	1,930,718	2,181,283
Digicel	3,000	2,792
STA Fale	55,304	55,305
Vaitele Agency	81,964	68,572
Industrial Vaitele Land Lease	125,304	37,300
TOTAL RENT INCOME	\$3,644,019	\$4,373,797
20 OTHER INCOME	30-Jun-18	30-Jun-17
	\$	\$
Gain/(Loss) on offshore investment	4,447,658	3,287,018
Gain on land sales	31,490	21,000
Gain on UTOS units	212,766	(212,766)
Others	621,639	594,900
TOTAL OTHER INCOME	\$5,313,553	\$3,690,152
21 PERSONNEL COSTS	30-Jun-18	30-Jun-17
	\$	\$
Salaries & Allowances	3,520,925	3,423,622
Overtime	43,712	26,046
Performance Bonus	92,531	93,673
Long/Sick/Accrued Leave	13,229	209,323
Management End of Contract Benefit	81,972	66,703
Staff Retirement Benefit	16,469	126,712
TOTAL PERSONNEL COSTS	\$3,768,838	\$3,946,079
22 RENT EXPENSES	30-Jun-18	30-Jun-17
	\$	\$
Own use by SNPF	326,298	326,298
Rent paid - Savaii Office	41,400	41,400
TOTAL RENT EXPENSES	\$367,698	\$367,698
23 OTHER OPERATING COSTS	30-Jun-18	30-Jun-17
	\$	\$
Computer services costs/Software Licence	83,209	57,001
Electricity and Water Rates	179,939	180,677
Local travel	62,696	60,864
Loss on disposal of fixed assets	-	5,953
Loss/ (Gain) on foreign exchange	430,050	(130,504)
Legal fees	(49,475)	1,590,568
Insurance	196,647	225,200
Overseas travel	78,471	35,949
Office expenses	332,710	279,510
Printing and stationery	167,999	150,696
Repair & Maintenance	96,266	42,931
Other expenses	219,900	124,398
TOTAL OTHER OPERATION COSTS	\$1,798,412	\$2,623,243
24 KEY MANAGEMENT PERSONNEL DISCLOSURES	30-Jun-18	30-Jun-17
	\$	\$
Compensation of key management personnel	181,182	73,586
Remuneration	1,376,363	1,348,267
Directors fees and allowance	108,000	108,000
TOTAL KEY MANAGEMENT PERSONNEL COSTS	\$1,665,545	\$1,529,854

The remuneration of Key Management personnel is determined by Cabinet and the Board. Key Management Personnel include CEO, Managers and Assistant Managers. Compensation include PMA Bonus and End of Contract and Remuneration include salaries and wages.

SAMOA NATIONAL PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

25 CONTINGENCIES & COMMITMENTS

The Fund was committed to lend \$37million Investment Loans during the year, of which \$2.8million remains undrawn at year end.

26 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. (2017: Nil)

27 ACTUARIAL REVIEW

The review is performed every three years, and the most recent actuarial was carried out by Melville Jessup Weaver in January 2018 for period ended 30 June 2017. The recent valuation indicated that the Pension Reserve Account has a deficit of \$239,0000 tala as at 30 June 2017. 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.

28 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.



AUDIT OFFICE

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REPORT OF THE AUDIT OFFICE

TO THE MEMBERS – SAMOA NATIONAL PROVIDENT FUND

Opinion

We have audited the accompanying financial statements of the Samoa National Provident Fund, which comprise the Statement of Net Assets as at 30 June 2018, and Statements of Financial Performance, Contributions and Cash Flows for the year then ended, and a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of BDO, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Taimalie Ernest Betham.

In our opinion the Financial Statements present fairly, in all material respects, the financial position of the Samoa National Provident Fund as at 30 June 2018, and of its Financial Performance, Contributions and Cash Flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Samoa National Provident Fund in accordance with the ethical requirements that are relevant to our audit of financial statements in Samoa, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Responsibilities of Directors and Management for the Financial Statements

Directors and Management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with requirements of the National Provident Fund Act 1972 and such internal controls 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.

In preparing the financial statements, the Directors and Management are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors and Management either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Directors and Management are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with these International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit



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evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors and Management among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion:

- (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 have been prepared in accordance with and complies with the requirements of the Public Bodies (Performance and Accountability Act 2001 and the Public Finance Management Act 2001; 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.

Apia, Samoa
30 October 2018

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