

CORPORATE INFORMATION

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Website: sinpf.org.sb Email: info@sinpf.org.sb

Bank: Bank South Pacific Limited, PO Box 37, Honiara, Solomon Islands

External Auditor: Auditor General, Office of the Auditor General, PO Box G18, Honiara, Solomon Islands

LEGAL FRAMEWORK

A defined contribution fund

Established by the Solomon Islands National Provident Fund (SINPF) Act 1973, 3 of 1973 Commenced operations on 1st October 1976, as a statutory retirement savings scheme

Minister of Finance and Treasury appoints the Board, a Corporate Body

Members are obliged to contribute a minimum of 5% and multiple of 10% on voluntary basis

Employers are obliged to contribute 7.5% on behalf of employees

The Board is obliged to declare a minimum statutory crediting rate of 2.5% to members at or before 30th September.

Minister of Finance and Treasury approves all new investments

In 2003, SINPF is deemed a licensed financial institution under the Financial Institutions Act (FIA) and Subject to prudential reviews by the Central Bank of Solomon Islands (CBSI)

SINPF Act amended in November 2018

CHAIRMAN'S LETTER

Hon. Harry Kuma, MP Honorable Minister, Ministry of Finance and Treasury, P.O. Box G26, Honiara, Solomon Islands

31 March 2020

Dear Sir,

SOLOMON ISLANDS NATIONAL PROVIDENT FUND ANNUAL REPORT 2019

In accordance with section 12(2) of Solomon Islands National Provident Fund Act 1973 (as amended), I have the honor to submit to you, on behalf of the Board of Trustees of Solomon Islands National Provident Fund, the Annual Report for the Financial Year ended 30th June 2019 which incorporates the Statement of Assets and Liabilities, Statement of Accounts and major development events of the Fund occurred during the financial period.

Thank you and we appreciate your continuous understanding, support and cooperation.

Yours faithfully

Peter James Boyers

Chairman



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Our Vision

Securing and enhancing our future

Our Mission

Achieve sustainable growth through real return and provision of quality services

Our Values

Ethical, responsible and professional conduct at all times

• In all we do we apply the highest personal, professional and ethical standards and together we act with transparency and consistency in a no-blame environment

Productivity, teamwork and striving for continuous improvement

• By harnessing the passion, skill and experience of the whole team we will prioritise and provide excellent service to all members and stakeholders.

Effective stewardship & leadership

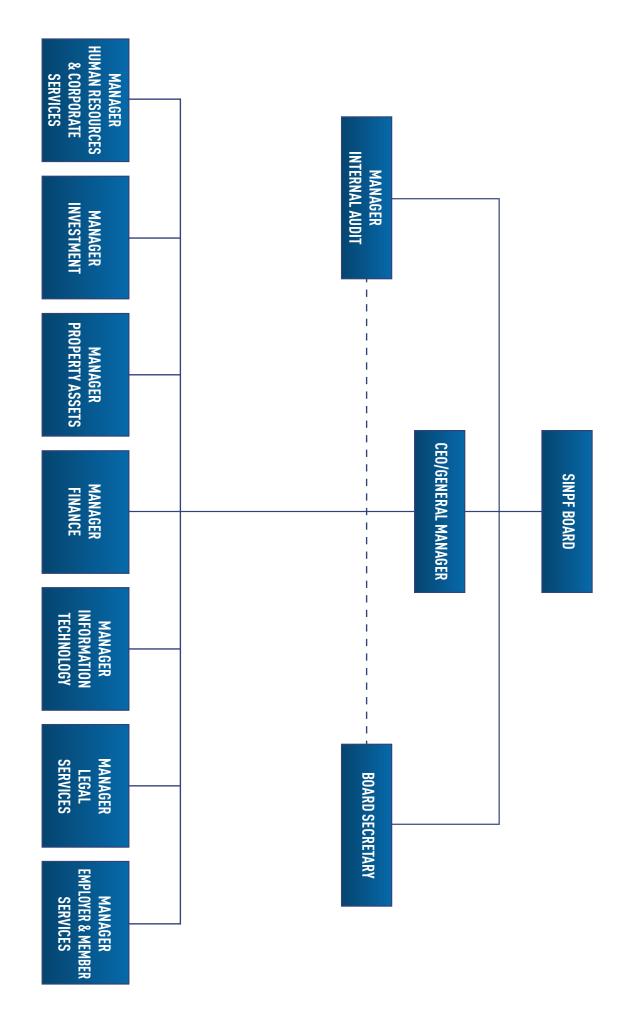
Effective leadership is embedded at all levels within SINPF and is applicable to everyone.

Passion to deliver results for members

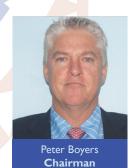
 Constantly striving to make things better for members by identifying new knowledge, opportunities and smarter practices and by working together in effective, innovative and creative teams.

Our Corporate Objectives

- Making prudent investments with real returns to members protecting and growing members' financial wealth and managing risk efficiently and effectively.
- Contributing to national infrastructure, economic and social development in the Solomon Islands by working in partnership with stakeholders and communities
- · Delivering professional and excellent service at all times
- Developing and improving staff capacity and capability to meet all challenges and deliver agreed outcomes in a timely manner.
- Encouraging all Solomon Islanders to save for later life
- Exploring, developing and providing innovative products and services to members
- Committing to best practice and good governance



BOARD OF TRUSTEES



Appointed: 20 May 18 - 20 May 21 Representing: Minister Discretion



Appointed:
1 Nov 17 - 1 Nov 20
Representing:

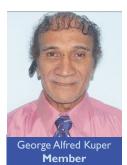
Employee



Appointed:
29 Mar 18 - 29 Mar 19
Representing:
Employer



Appointed: 29 Mar 18 - 29 Mar 19 Representing: Minister Discretion



Appointed: 23 Oct 15 - 23 Oct 18 Representing: Crown

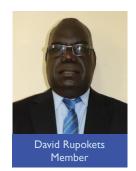


Appointed: 23 Oct 15 - 23 Oct 18 Representing: Crown

Member



Appointed: 26 Jun 18 - 26 Jun 21 Representing: Employee



Appointed: 26 Jun 18 - 26 Jun 21 Representing: Employer



Appointed: 13 Feb 19 - 13 Feb 22 Representing: Crown



Appointed:
16 May 19 - 16 May 22
Representing:
Minister Discretion



Appointed: 16 May 19 - 16 May 22 Representing: Employer

KEY MANAGEMENT



Appointed: 1 Jan 18 - 31 Dec 20



Appointed: 1 Sep 17 - 30 Aug 20



Aluta Kakadi Manager Employer & Member Services



Manager Investments



Appointed: 17 Nov 16 - 16 Nov 19

Appointed: 9 Aug 17 - 8 Aug 20



Appointed: 17 Apr 18 - 6 Apr 21



Manager IT



Manager HR and CS



Appointed:

21 Aug 17 - 20 Aug 20







Appointed: 17 Oct 17 - 22 Nov 2018



Appointed: 16 Nov 15 - 15 Nov 18



Appointed: 16 Nov 18 - N/A

2019 ACHIEVEMENTS AND HIGHLIGHTS

Membership and Employers

- 9,323 new members were registered during the year, recording a very strong growth of 38% over 2018.
- Accumulated registered membership increased to 192,680, and increase of 4.8%.
- Total members with credit balances rose by 4.4% to 142,352
- Accumulated active members increased by 5.5% to 61,262
- Contributions received from Members and Employers increased by 7.2% to reach \$319 million
- Benefits paid to members surged to \$285 million, an increase of 5.4%.
- A net contribution of \$34.2 million recorded for the year up from previous year's level of \$27.4 million.
- 8.5% crediting rate declared for members (declared and credited to members accounts on 30 September 2019), compared to 2018 award of 6.5%
- Value of Member Contributions grew by 1.2% to \$2.988 billion (Interest declared applied on 30 September 2019 and therefore was not reflected on 30 June 2019),
- 265 new employers registered during the year
- Total accumulated registered employers was 3,585

Investments and Financial

- Approval of \$12 million to construct Solomon Telekom Company Sales Office in Auki, Malaita Province.
- Acquisition of 15% shareholding in Loloata Island Resort Limited for K12 million (approximately SI\$29 million)
- Establishment of SINPF Board non-bank financial institution (NBFI) for \$15 Million
- Gross Investments grew by almost 11% to \$3.672 billion.
- Total Fund assets grew by 10.5% to \$3.766 billion

 10.5% gross rate of return on total investment assets up from 9.6% recorded in 2018.

Governance and Operational

- Minor Amendments made to the SINPF Act by the 10th National Parliament of Solomon Islands in November 2018 allowing workers in the informal sector to save for their old age.
- Reserving, Crediting Rate, and Valuations of Unlisted Equities and domestic Investment Properties policies approved and adopted.
- Property Investments Policy and Guidelines Review complete for management and board approval.
- 2016-2021 Rolling Business Plan reviewed during the year.
- Fit and Proper Guidelines issued by the Central Bank of Solomon Islands accepted by the Board
- Establishment of an independent risk management division.

Informal Sector

- youSave scaled up from I July 2018 with financial support from United Nations Capital Development Fund (UNCDF) of the United Nations (UN).
- 6,950 new members were registered during the year an increase of more than 158%.
- Total membership increased to 9,871 with total savings balance of \$7.5 million
- Total preserved balance of \$4.2 million
- Total general account balance of \$3.3 million.
- Total of 814 withdrawals made during the year worth \$1.17 million.



CHAIRMAN'S MESSAGE

The 2019 financial year ending 30 June 2019 was a very rewarding one for the Fund given that the year has been challenging with our economic growth expected to stumble by the end of the calender year.

The Fund achieved a gross return of 10.5% on its investment assets up from 9.6% achieved in the previous year. The Fund's assets also grew strongly during the year to \$3.711 billion recording almost 10.3% growth on the previous year level of \$3.364 billion.

Our key domestic investment assets, South Pacific Oil Limited, Solomon Telekom Company Limited, and Heritage Park Hotel Limited delivered strong returns to the Fund. Our offshore investments Bank South Pacific and our indexed managed funds in the USA, Europe, and Australia also performed strongly despite weaknesses in some of the underlying currencies of these assets.

During the year we are also progressively dealing with the difficult parts of our investments portfolio that has not performed as expected. These assets include our slipway and properties at Tulagi, Central Islands Province and the Tavanipupu Island Resort. A credible exit strategy has been developed for the Tulagi slipway and we expect to conclude the exit strategy in the next financial year.

On the membership front, the Fund had recorded a very strong growth in the registration of new members at 9,323, an increase of 38% on the previous year new member registration of 6,745, lifting active members to 61,262 and members with credit balances to 142,352.

A strong growth in member benefit of \$285 million, were paid to members during the year, up from \$270 million in 2018. Incoming contribution rose to \$319 million up from \$297 million in 2018. Net contributions, available for new investments increased to \$34.2 million, slightly above 2018 net contributions of \$27.3 million.

The minor amendments to the SINPF Act was successfully considered and passed by the 10th Solomon Islands National Parliament in November 2018. This has demonstrated the government's appetite to consider the new SINPF bill which we will continue to discuss with the government for tabling to the Parliament in 2020. As in my previous messages, this important pillar of the Fund's governance is crucial to convert the Fund into a modern retirement fund to ensure it is managed properly for members' retirement benefits and making the Fund relevant to members post retirement.

As I have said in my opening remarks, 2019 was a rewarding year for members of the Fund and without the excellent support from the Minister Finance, his Permanent Secretary and the team at the Ministry of Finance and Treasury, the Governors and team at the Central Bank of Solomon Islands, my Board, management and staff of the Fund, this excellent performance may not have been possible.

I would like to thank you all for your untiring support, strong teamwork and excellent cooperation as we look to our future opportunities and challenges with confidence.

Peter James Boyers

Chairman

CEO/GENERAL MANAGER'S REPORT

Financial Performance

The Fund returned an impressive total gross income of \$388 million for the year, representing more than 10.5% rate of return on the Fund's members' total investment portfolio of \$3.67 billion.

After adjusting for direct investment, operational and impairment costs, the Board has more than \$309 million available for crediting to member accounts.

New Investments

New investments approved by the Board and the Minister of Finance during the year include; I) approval of \$12 million for the construction of Solomon Telekom Company Limited Sales Office in Auki, Malaita Province, 2) the purchase of Solomon Telekom Company Limited Recreational Centre at Ranadi, Honiara for \$34 million, 3) purchase of 15% shares in Loloata Island Resort Limited for K12 million (approximately \$29 million), and 4) the approval of \$15 million for the establishment of a Non Bank Financial Institution (NBFI) to be owned by the Board for providing personal and mortgage loans to members of the Fund.

During the year, the Board purchased its 49% shares in Solomon Islands Submarine Cable Company Ltd (SISCCL) for \$116 million and also purchased the Malaita Plaza, in Auki, Malaita Province for \$4.5 million. These new investments were approved in previous financial years.

Informal Sector youSave Product

The successful inclusion of the informal sector retirement product youSave in the amended SINPF Act in November 2018 was the culmination of various stakeholders' strong cooperation and support.

The Board on 1st July 2018 up scaled the roll out of the youSave with the continued support from UNCDF and Pacific Financial Inclusion Programme (PFIP) with financial support from the Australian Government.

In rolling out the youSave to our communities SINPF Board, the Central Bank of Solomon Islands, PFIP and UNCDF commenced the discussions on the technical and financial feasibility of using airtime as a currency to be used for youSave deposits through the two mobile network operators (MNOs). The Central Bank of Solomon Islands (CBSI) approved the use of airtime to be converted and used as a currency for members to make deposits to their youSave account with the Fund.

This is an exciting discussion that will be progressed further in the 2020 financial year, once progressed and developed will be the first in world where airtime is used as a currency for savings.

Outlook

2019 has been a rewarding and successful year for the Fund. However, we are always reminded that past performance do not guarantee future performance.

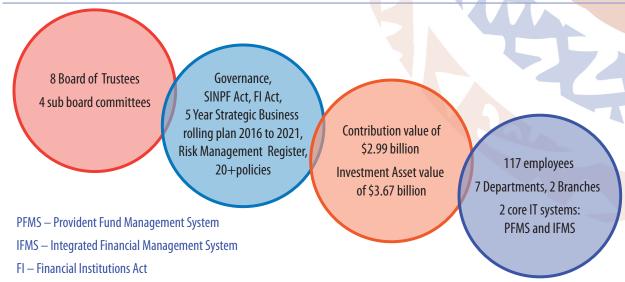
There are considerable challenges ahead that the Board has to navigate in growing our members' wealth for their retirement and to continually lift the quality of our member service delivery

Mike Wate

CEO/General Manager

THE FUND DURING THE YEAR

Figure 1: SINPF Universe



The Fund's risk universe illustrated below summarizes who are the risk owners and shows how the risks are managed.

Figure 2: Risk Management Universe - Owners and Policies and Procedures

Risk Management and Int Risk Management	ernal Audit Departments	
Policies and Proced	ures	
Risk Management Policy Framework Business Continuity Plan (BCP) Succession Planning Documents	Organisational Structure, Employee Policy and Procedures Manual (EPPM), Business Continuity Plan (BCP), Succession Planning, Recruitment Policy, Vehicle Policy, Archive Policy, Investment Policy and Procedures Manual, Tender Policy, Procurement Policy, Investment Loan Risk Management Policy, Outsourcing Policy, Strategic Asset Allocation Guidelines (SAA), Operations Procedure Manual, Instructions to Inspectors, Complaints Procedures, Budget, Financial Delegated Authority Limits (FDAL), Accounting Policies, Disposal Tender Policy, Finance Procedures and Control Manual, Disaster Recovery Plan, IT Policy and Procedures Manual, Legal Department Policy (draft), Whistleblower Policy, Fraud Policy, and Internal Audit Procedures Manual.	AUDITORS/REGULATOR/CONSULTANTS
	* "	
	Risk Management and Int Risk Management Policies and Proced Risk Management Policy Framework Business Continuity Plan (BCP) Succession Planning Documents SINPF Act and Financial Institute Standards (IAS) and Internation Vision, Mission, Values and Corpo 5 Year Strategic Rolling Busi	Risk Management Policy Framework Business Continuity Plan (BCP) Succession Planning Documents Organisational Structure, Employee Policy and Procedures Manual (EPPM), Business Continuity Plan (BCP), Succession Planning, Recruitment Policy, Vehicle Policy, Archive Policy, Investment Policy and Procedures Manual, Tender Policy, Procurement Policy, Investment Loan Risk Management Policy, Outsourcing Policy, Strategic Asset Allocation Guidelines (SAA), Operations Procedure Manual, Instructions to Inspectors, Complaints Procedures, Budget, Financial Delegated Authority Limits (FDAL), Accounting Policies, Disposal Tender Policy, Finance Procedures and Control Manual, Disaster Recovery Plan, IT Policy and Procedures Manual, Legal Department Policy (draft), Whistleblower Policy, Fraud Policy, and Internal Audit Procedures Manual. SINPF Act and Financial Institutions Act (FIA), Standards (IAS) and International Financial Reporting Standards (IFRS) Vision, Mission, Values and Corporate Objectives 5 Year Strategic Rolling Business Plan

THE ECONOMY

After the robust growth of more than 3% of the country's economy in 2018, the Solomon Islands economy softened in 2019 as the global economy growth declined as a result of the continued trade tensions between USA and China and other shocks experienced in both emerging and advanced economies. (CBSI 2018 and 2019 Annual Reports)

On the domestic economy, the key prices for the country's primary products fell hence resulting in lower production of our key primary products. The declines are more pronounced in the economy's key sectors agriculture and forestry.

Headline inflation remained around 1% by the end of the financial year on 30 June 2019. On exchange rates, the SBD depreciated against the US dollar whilst appreciating against other key currencies.

The country's official foreign exchange reserves continued to be firm covering at least 11 months of import cover during the period.

CORPORATE GOVERNANCE

In November 2018, the tenth National Parliament of Solomon Islands passed minor amendments to the Solomon Islands National Provident Fund Act (1973). The amendments include changing crediting date from 30 June to on or before 30th September, improving the Board's ability to vary the special death benefit (SDB) premium from time to time, and the inclusion of savings for the informal sector.

These amendments are necessary for the Board to efficiently and effectively manage the affairs of the Fund and to allow workers in the informal sector to have access to retirement benefits.

The major legislation reform SINPF bill will be continued to be pursued with the Minister of Finance once the new government comes into power in April 2019.

During the year the board approved various policies that include policies for reserving, crediting rate, and unlisted equity and domestic investment property valuations.

In February 2019, the Board with the support of external assistance reviewed its 2016-2021 rolling business plan. It is expected once the review is completed a new rolling business plan 2019-2024 will be adopted by the Board in the next financial year.

The Board

The Fund is governed by a tripartite board and the Board is responsible for the management of the trustees and the investment of the Fund within the arm bit of the Fund's key Act, the Solomon Islands National Provident Fund Act (1973) and the Financial Institution Act (FIA) (1998).

Consisting of eight (8) trustees, the trustees are appointed by the Minister of Finance and Treasury, representing employers, employees, and the crown. During the year, 7 trustees were in place whilst one vacancy is yet to be filled.

Board Remuneration

Board remuneration are established by the Minister of Finance and no changes to the levels of remuneration were made during the year. The levels of remuneration currently in place were approved by the Minister of Finance in November 2016.

Table 1: Board Members Monthly and Sitting Allowances

	Monthly Allowance	Sitting Allowance
Chairman	\$2,500	\$2,500
Deputy Chairman	\$2,500	\$2,500
Member	\$2,500	\$2,500

All Board members are paid a gross monthly allowance of \$2,500 and a gross sitting allowance of \$2,500 per meeting.

Board Attendance

A total 20 board meetings were held during the year. Nine (9) of the meetings are special board meetings and eleven (11) were scheduled meetings.

Table 2: Board Attendance

Name	Appointment	Total No of Board Meetings	No of meetings attended
Mr. Peter Boyers	Chairman	20	16
Dr. Aaron Oritaimae	Deputy Chairman	20	18
Mr. Gideon Zoleveke	Member	14	13
Mr. Mckinnie Dentana	Member	7	5
Mr. George Kuper	Member	7	7
Dr. Alice Pollard	Member	14	8
Ms Antoinette Wickham	Member	20	15
Mr. David Rupokets	Member	20	16
Mr. Riley Mesepitu	Member	8	6
Mr. Robert Au	Member	3	3
Mr. Shepherd Lapo	Member	3	3

Board Movements

Messrs Mckinnie Dentana, George Kuper, Gideon Zoleveke and Dr. Alice Pollard retired during the year. Messrs Riley Mesepitu, Robert Au and Shepherd Lapo were appointed to replace these retiring directors during the year.

Sub Board Committees and Board Task-forces

The Board has four sub-board committees, two working committees and a task force established to deal with a particular matter or matters and or to have certain decision making authority as the Board may elect, to delegate to that sub-board committee. The four committees are; I) Audit and Risk, 2) Investment and Credit Committee (ICC), 3) Information Technology Committee, and 4) Staff Welfare Committee.

The Property and Infrastructure Technical Committee (PITC) supports the ICC in meeting the Board's Property Investments objective whilst the Board Management Task-force deals with contracted management contracts.

The Medical task-force continued with its terms of reference (TOR) to investigate the feasibility and viability of providing a higher level healthcare service in the country. A terms of reference has been prepared and developed seeking external expertise to perform a pre-feasibility study on the opportunity.

The sub-board committees and task-forces are chaired by Board members with membership drawn from management. The sub-board committees and task-forces can secure with Board endorsement external independent members with relevant expertise, skills and knowledge.

Board members and external members sitting on these committees are paid a sitting allowance of \$2,500 per sitting.

Table 3: Board and Management Membership on Sub-Board Committees

	ICC	Audit and Risk	IT Comm	Staff Welfare	Board Task-force	PITC	Medical Task-force
		KISK		vveitare	Task-force		Task-force
Board	/		!	'	•	!	!
Mr. Peter James Boyers							
Mr. Gideon Zoleveke Jr.		X		X	X		
Dr. Alice Pollard				X	X		
Mr. Mckinnie Dentana	X						
Mr. George Kuper		X	X				X
Dr. Aaron Oritaimae		X					X
Mr. David Rupokets	X						
Ms Antoinette Wickham						Х	X
Mr. Riley Mesepitu	X		X				
Mr. Robert Au		X		X	X		
Mr. Shepherd Lapo		X		X	X		
Management							
Mr. Mike Wate	X		X	X			X
Mr. Aluta Kakadi			X				
Ms Jenny Lakoa	X					X	X
Mrs Rose Karoa	X		X	X			
Mr. Ishmael Kako	X		Χ			X	
Mrs Suzanne Orudiana			X				
Mrs Areau Hivu	X	X	X				
Mr. Manasseh Taloafiri			Χ	X			
Mr. Albert Afu	X					X	



Mr. Chris Elphick of Breadfruit Consulting, leading the managements' participation at a leadership training workshop in Honiara on 26th October, 2018.

MEMBERSHIP

Member Number and Balances

9,323 new members were registered during the year a significant increase of more than 38% on the previous year level of 6,745. The accumulated registered membership therefore increased to 183,241 an increase of 2.8% on the previous year's level.

Total members with credit balances increased by 4.4% from 136,301 to settled at 142,352 at the end of the financial year.

Active members increased to 61,262 up by 5.6% on the previous year level of 58,036.

Total contribution receipts for the year increased by a strong 28.4% to \$ 318.9 million up from \$297.4 million on the previous year level.

Member withdrawal benefit increased by more than 5% to reach \$284.7 million, up from \$270.1 million recorded in the previous year.

Net contributions slightly increased to \$34.2 million, an increase of 25% on the previous year level of \$27.3 million as a result of strong growth in incoming member contributions.

Table 4: Key Membership Indicators

	2019	2018
New Member registration	9,323	6,745
Total Accumulated Registered Members	192,680	183,421
Total Registered Members with Credit Balances	142,352	136,301
Total Accumulated Active Members	61,262	58,036
Total Member Contribution Receipts	\$318,894,604	\$297,452,651
Total Member Withdrawals – Number	6,780	6,275
Total Member Benefits Paid – Value ¹	\$284,744,029	\$270,109,815
Total Net Contribution	\$34,150,575	\$27,342,836
Annual Interest Rate Credited To Members	-	6.50%
Annual headline inflation rate to 30 June	-	2.40%
Real Crediting Rate after adjusting for inflation	-	4.10%
Total Annual Interest Credit To Members	-	\$160,499,937
Total Accumulated Members Fund	\$2,960,621,916	\$2,924,510,852
Unidentified Contributions	\$27,584,479	\$27,367,554
Total Member Funds	\$2,988,206,395	\$2,951,878,406

¹Includes youSave

As a result of the 2018 amendments to the SINPF Act, the Board for the first time since inception will determine members crediting rate on or before the end of September of each year. This allows the Board to determine the interest rate based on audited accounts. Subsequently on 30th September 2019 after the 2019 accounts were audited, accepted and signed off, the Board declared a crediting rate of 8.5% to be credited and applied to member accounts on 30 September 2019.

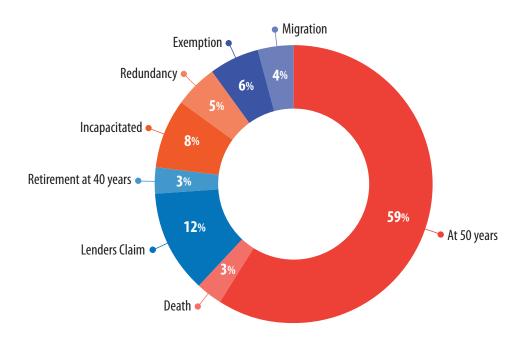
For members who applied and received their retirement benefits after 30th June and before 30 September were credited 2.5% on their withdrawals.

Accumulated members fund increased by 1.2% to \$2.988 billion driven by net contribution receipts from \$2.95 billion recorded at the end of the previous financial year. This amount will increase with the crediting of 8.5% on member balances on 30 September 2019.

Table 5: Member Benefit Payout by Withdrawal Grounds

			2019				2018	
	N	0	Value		N	0	Value	
At 50 years	2,979	43%	\$169,076,047	59%	2,579	41%	\$149,162,793	55%
Death (including SDB)	278	4%	\$9,699,049	3%	276	4%	\$13,638,145	5%
Migration	198	3%	\$10,049,353	4%	182	3%	\$17,500,950	6%
Exemption	357	5%	\$16,535,145	6%	229	4%	\$14,332,152	5%
Incapacitated	437	6%	\$22,539,932	8%	289	5%	\$11,610,243	4%
Lenders Claim	1,353	20%	\$33,013,802	12%	1,941	31%	\$50,726,970	19%
Redundancy	991	14%	\$13,338,157	5%	744	12%	\$9,771,351	4%
Retirement at 40 years	64	1%	\$8,736,855	3%	24	0%	\$3,349,263	1%
Unclaimed Deposit	243	4%	\$1,330,687	0%	0	0%	\$0	0%
Adjustment after yr. end	0	0%	\$424,642	0%	0	0%	\$17,948	0%
Total	6,900	100%	\$284,744,029	100%	6,275	100%	\$270,109,815	100%

Graph 1: 2019 Member Benefit Payout by Withdrawal Grounds



Member benefit withdrawal grounds 50 years and over recorded the highest category at 43% in terms of the total number of withdrawals at 2,979. This category accounted for more than 55% of the total value of member benefit payment.

This is followed by members who defaulted on their loans with financial institutions and members who were made redundant. Members defaulting on their loans though, declined both in number and value.

Members receiving their benefits under exemption from the Minister of Finance almost doubled on the previous year's level.

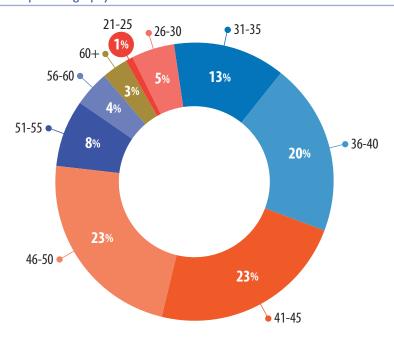
Membership Demography

The bulk of the membership at 65,831 are within the age of 31 years to 45 years representing 48% of the total membership with credit balances worth more than 57% of the total membership balances at \$1.66 billion. 26,909 members aged 51 years and over with credit balances of \$419,072,357 are eligible to withdraw their savings in full anytime at their choosing.

Table 6: 2019 Membership Demography

		Number			Value		
Age group	Male	Female	Total	Male	Female		Total
> 20 years	732	531	1,263	\$970,294	\$598,031	\$1,568,325	0.1%
21-25	5,261	4,005	9,266	\$15,086,628	\$10,160,720	\$25,247,348	1%
26-30	10,316	6,720	17,036	\$78,269,573	\$61,624,044	\$139,893,617	5%
31-35	13,979	7,729	21,708	\$238,256,188	\$161,773,645	\$400,029,833	13%
36-40	17,086	7,381	24,467	\$374,061,710	\$217,890,355	\$591,952,065	20%
41-45	14,288	6,570	20,858	\$463,883,200	\$221,619,403	\$685,502,603	23%
46-50	12,779	5,255	18,034	\$470,736,662	\$204,386,559	\$675,123,221	23%
51-55	8,500	3,018	11,518	\$170,676,378	\$58,531,352	\$229,207,730	8%
56-60	6,557	1,688	8,245	\$92,312,220	\$20,512,311	\$112,824,531	4%
60 plus	6,852	1,481	8,333	\$74,329,950	\$17,115,476	\$91,445,426	3%
	96,350	44,378	140,728	\$1,978,582,803	\$974,211,896	\$2,952,794,699	99%
Unidentified						\$27,584,479	1%
Adjustment	t after year	end				\$7,827,217	0%
Total Memb	oer Balance	es				\$2,988,206,395	100%

Graph 2: 2019 Membership Demography



45% of the members aged 36 to 50 years held more than 65% of the total contribution value at more than \$1.9 billion.

Member Pledging

9,496 new pledges were created worth \$502 million, compared to previous year new pledges of 7,728 worth \$378.7 million. Total accumulated pledges increased to 13,213 for a total pledge value of \$654.8 million against a total loan value of \$580.8 million.

The bulk of the pledges are at the Bank South Pacific Limited and Pan Oceanic Bank Limited.

Table 7: 2019 Member Pledging

		New Pled	ge		Accumula	ted	
	No	Pledge \$	Loan \$	No	Pledge \$	Loan \$	%
ANZ Bank	491	\$24,902,638	\$13,306,209	1,217	\$53,074,121	\$33,237,423	8%
Bank South Pacific	5,843	\$274,548,225	\$204,431,204	8,596	\$378,944,738	\$330,825,500	58%
Bred Bank Solomon	230	\$17,869,842	\$150,864,492	180	\$13,903,695	\$21,329,744	2%
Credit Corporation (SI) Ltd	15	\$1,136,767	\$2,015,617	24	\$1,360,822	\$3,227,596	0%
Solomon Housing Limited	12	\$373,491	\$410,956	9	\$375,903	\$261,753	0%
Pan Oceanic Bank	2,809	\$180,922,390	\$139,112,686	3,095	\$204,279,345	\$188,660,307	31%
SINPF	96	\$2,793,627	\$3,870,012	92	\$2,865,230	\$3,267,631	0%
Total	9,496	\$502,546,980	\$514,011,176	13,213	\$654,803,854	\$580,809,954	100%

The number of members defaulting on their loans with licensed financial institutions reduced to 1,353 from 1,941 recorded in the previous year. The value of defaulting member loans also declined from \$50.7 million to \$33.01 million. The bulk of the defaults were recorded for Bank South Pacific and Pan Oceanic Bank customers.

Table 8: 2019 Member Pledges Default

	2019		2018	
	Value	%	Value	%
ANZ Bank	\$1,542,066	5%	\$1,743,211	3%
Bank South Pacific	\$17,459,703	53%	\$27,555,648	54%
Bred Bank Solomon	\$134,695	0%	\$0	0%
Credit Corporation (SI) Ltd	\$271,007	1%	\$0	0%
Solomon Housing	\$0	0%	\$56,503	0%
Pan Oceanic Bank (POB)	\$13,416,691	41%	\$20,574,375	41%
SINPF	\$189,639	1%	\$146,289	0%
Westpac	\$0	0%	\$718,844	1%
Adjustment after year end	\$0	0%	-\$67,900	0%
Total	\$30,951,685	100%	\$50,726,970	100%

In terms of loan value the default rate declined from 9.3% in 2018 to 5.68% in 2019. In terms of number the default rate declined from 14.8% in 2018 to 10.2% in 2019.

Member Services

Table 9: Member Inquiry

Service Type	2019	2018
Member Balances Enquiry	36,042	12,286
Withdrawal Enquiry	25,488	7,434
2/3rd Pledge Enquiry	12,040	3,084
Registration Enquiry	61,700	10,016
	135,270	32,820

Members Unidentified Contribution

Members total unidentified contributions allocated to members accounts was \$6.74 million. Total outstanding at the end of 2019 financial year was \$8.4 million showing a reduction of 16.8% over the 2018 level of \$10.1 million.

Contribution Underpayment

Total underpayment collected was \$748,905, an increase of more than 18% over 2018 amount of \$630,274.

Unallocated Contribution

Total unallocated contribution recorded at the end of 2019 was \$19.3 million, an increase of 9% on the previous year level of \$17.6 million.

Uncollected Surcharge Receivables

Total surcharge receipts recorded at the end of 2019 financial year was \$3.3 million. Total surcharge income was \$2.45 million. Total surcharge receivable at the end of 2019 financial year was \$9.3 compared to 2018 amount of \$10.04 million, reduction of 8%.

SINPF Branches

The SINPF Board has established two Branch Offices in Auki, Malaita Province and in Gizo, Western Province.

These two decentralized branches serve the members and employers as agents of the SINPF Board to NPF members, and NPF Employers in these two provinces.

Total manpower for each Branch Office is 3 officers.

Special Death Benefits (SDB)

Total special death benefits paid out in the financial year was \$702,550 a slight increase on the previous year's level of \$647,136. For an annual premium of \$5 the benefit paid out to each beneficiary was \$3,000.



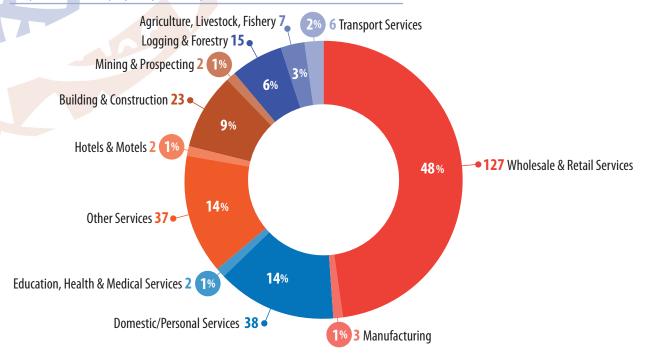
A visitation by the New Minister of Finance, Honorable Harry Kuma on the 21st of June 2019 and the meeting with the Board of Directors, CEO/General Manager and management.

EMPLOYERS

New Employer Number and Classification

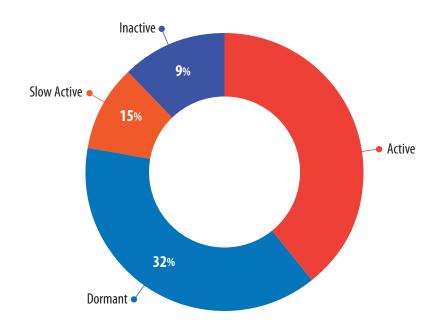
368 new registered employers were recorded in the year representing a decline of 15% on the previous year's level of 433 new employers.

Graph 3: New Employer by Industry



Accumulated registered employers increased to 3,437 driven by increases in the services and construction industries.

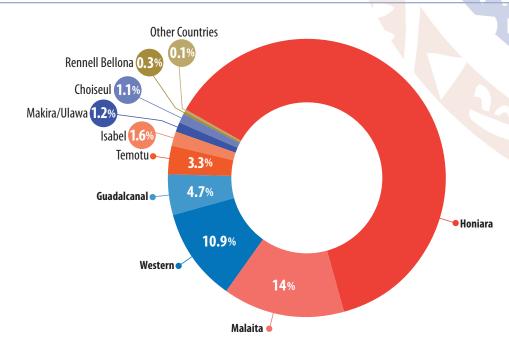
Graph 4: Employer Operating Status



Accumulated Employer Number and Provincial Location

The bulk of the employers are in Honiara accounting for 65%, followed by Malaita Province at 15% and Western Province at 11%.

Graph 5: Employer by Provincial Location









Inspectors Vaitili Tuni, Basil Matangani and Philip Ramo registering new employees at various employers.

THE INFORMAL SECTOR

The business case shows that the scheme will be viable at 20,000 savers with a total savings portfolio of \$22 million. This provided the target for the upscale of the project when the youSave was accepted by the Board to progress further with the innovative informal sector savings product.

The momentum of the youSave project scale up strengthened from 1st July 2018 with the signing of a new agreement for funding of US\$100,000 from the United Nations Capital Development Fund (UNCDF) on 30th June 2018, with the financial support from the Australian Government.

The funding support was progressively disbursed over the year enabling the Fund to increase the product's outreach, marketing and the establishment and training of agents in order to increase new youSave sign ups.

To support the scale up of the scheme to achieve the viable targets of 20,000 youSave members with a savings balance of \$22 million in a shorter period of time, the Central Bank of Solomon Islands (CBSI), SINPF and UNCDF commenced discussing the potential to use airtime for youSave savings. This was done in collaboration with the two Telecommunication companies, Solomon Telekom Company Limited and Bmobile Limited.

The discussions were quite positive as there is strong willingness and goodwill amongst all the stakeholders to jointly participate on a new project to investigate using airtime for savings. This was made possible after CBSI agreed to convert airtime into currency.

The youSave retirement benefit for the informal sector became a formal part of the SINPF Act in November 2018 when the Act was amended to include youSave by the Solomon Islands National Parliament.

Membership Balances and Withdrawals

A record 6,950 new savers compared to 2018 new savers of 2,689, opened youSave accounts with the Fund during the year bringing total savers to 9,871. Total balance (both preserved and general accounts) reached more than \$7.4 million.

Table 10: youSave Membership by Gender and Account Type

Age group	Male -No.	Female - No.	Total	Male - Total Balance	Female - Total Balance	Total Preserved Balance	Total General Balance	Total Balance
< 20	323	368	691	\$174,897	\$126,400	\$163,709	\$137,588	\$301,297
21 - 25	447	513	960	\$227,133	\$200,246	\$257,270	\$170,108	\$427,379
26 - 30	452	583	1,035	\$197,915	\$247,617	\$262,063	\$183,469	\$445,532
31 - 35	518	698	1,216	\$307,646	\$371,247	\$394,788	\$284,104	\$678,893
36 - 40	531	697	1,228	\$339,136	\$462,172	\$454,980	\$346,328	\$801,308
41 - 45	614	729	1,343	\$901,747	\$398,048	\$715,935	\$583,860	\$1,299,795
46	110	153	263	\$71,216	\$234,245	\$159,681	\$145,780	\$305,46 I
47	128	132	260	\$92,920	\$79,222	\$99,411	\$72,732	\$172,143
48	93	128	221	\$44,190	\$136,689	\$101,358	\$79,521	\$180,879
49	110	98	208	\$139,720	\$58,484	\$112,146	\$86,058	\$198,204
> 50	1,292	1,154	2,446	\$1,282,997	\$1,374,555	\$1,501,009	\$1,156,543	\$2,657,552
Total	4,618	5,253	9,871	\$3,779,518	\$3,688,924	\$4,222,350	\$3,246,092	\$7,468,441

814 withdrawals were made during the year totalling more than \$1.16 million. 27% of the 814 withdrawals were by members aged more than 50 years and over. About 92% of the value of the withdrawals are made by members using their general accounts.

Table 11: youSave Withdrawals

Age group	Number	Total General Account	Total Preserve Account	Total Withdrawal Value
< 20	42	\$26,060	\$0	\$26,060
21 - 25	85	\$87,420	\$400	\$87,820
26 - 30	96	\$78,238	\$0	\$78,238
31 - 35	101	\$110,060	\$0	\$110,060
36 - 40	102	\$109,000	\$750	\$109,750
41 - 45	105	\$131,395	\$100	\$131,495
46	15	\$13,650	\$0	\$13,650
47	20	\$26,450	\$0	\$26,450
48	14	\$21,660	\$0	\$21,660
49	16	\$26,000	\$0	\$26,000
> 50	218	\$438,252	\$97,788	\$536,040
Total	814	\$1,068,185	\$99,038	\$1,167,222

In November 2018 the National Parliament of Solomon Islands approved the amendment to the SINPF Act to include the youSave for the informal sector. This is a historical event making retirement benefit available for all workers in the informal sector.



youSave cashier, Ms. Diana Warereau serving youSave customer Jessica Augwata by making a withdrawal from her youSave account.

INVESTMENTS

Investment Performance

The Fund's investments performance recorded an impressive 10.5% gross return of \$388 million, up by 22% from the previous year's level of \$318.5 million. After deducting for direct investment and board operational costs, a total of \$309.4 million is available for crediting to members.

The strong income performance is driven once again by South Pacific Oil Limited returning a dividend of \$70 million, Solomon Telekom a dividend of \$16.956 million, Bank South Pacific a dividend of \$8.52 million, Soltuna dividend of \$827,235, interest income from Solomon Islands Government on its long dated bonds for \$9.8 million, interest from Soltuna Ltd for \$4.5 million, interest from Heritage Park Hotel Ltd for \$3.06 million, and Solomon Telekom Ioan interest of \$2.2 million.

Strong fair value revaluations of our key domestic equities South Pacific Oil Limited, Solomon Telekom Company Ltd, and Heritage Park Hotel Limited were recorded for the year as well strong market revaluation gains from all our offshore equity exposures in USA, Australia, Europe and Papua New Guinea that were passed through the Fund's Profit and Loss for the year.

Table 12: Gross Return by Major Asset Class and Performance

	Investment P	ortfolio Value	Retu	rns	Gross Return	
Asset Classes	2019	2018	2019	2018	2019	2018
Domestic cash and fixed term deposits	\$771,406,420	\$875,548,737	\$8,076,783	\$7,326,683	1.03%	0.80%
Offshore cash and fixed term deposits	\$161,714,650	\$199,128,609	\$2,185,019	\$1,563,109	0.92%	0.80%
SIG Securities	\$191,948,882	\$170,166,054	\$11,717,803	\$11,391,039	5.17%	6.70%
Domestic bonds and loans	\$151,436,927	\$152,937,193	\$10,155,316	\$9,413,294	7.77%	6.20%
Domestic properties	\$484,450,834	\$351,468,513	\$21,843,612	\$24,551,458	4.51%	7.00%
Offshore equities	\$186,271,978	\$143,068,924	\$9,586,486	\$8,275,678	5.15%	5.80%
Domestic equities	\$1,724,799,049	\$1,419,106,037	\$87,784,231	\$84,678,462	5.09%	6.00%
Net Gains from changes in fair value	-	-	\$223,288,612	\$166,358,035	-	-
Other Income	-	-	\$13,392,184	\$4,935,248	-	-
Total	\$3,672,028,740	\$3,311,424,067	\$388,030,046	\$318,493,006	10.5%	9.60%

New Investments

During the year the Minister of Finance endorsed the approval of new investments for the Board to acquire a 15% shareholding in Loloata Island Resort Limited for K12 million, the construction of a new sales office for Solomon Telekom Company Ltd in Auki, Malaita Province for \$12 million and the establishment of a new non-bank financial institution (NBFI) for \$15 million. Initially the NBFI will offer members small loans for economic and social reasons and later loans for home ownership.

The financing of the 15% shares in Loloata Island Resort Limited were made from the proceeds of our dividends in BSP shares.

Following the approval from the Minister of Finance for the SINPF Board to establish its NBFI, the Board will commence the process of applying for the credit license from the Central Bank of Solomon Islands (CBSI) in the next financial year.

The previous approved investment to build a commercial property on the Ex Solomon Housing Limited

property is currently on hold whilst the proposed Solomon Telekom Company Ltd Sales Office investment in Auki, Malaita Province has been progressed to tender for a contractor to build the office.

Gross Investments Portfolio

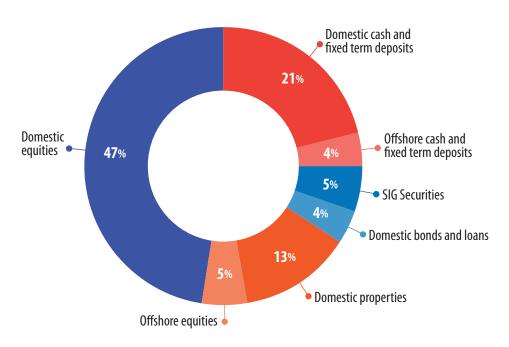
The Board's gross investment portfolio grew to \$3.670 billion, up from \$3.311 billion, an increase of almost 11%.

Gross Investments by Major Asset Class

Table 13: Gross Investments by Major Asset Class

Asset Classes	2019		2018	
	Value	%	Value	%
Domestic cash and fixed term deposits	\$771,406,420	21%	\$875,548,737	26%
Offshore cash and fixed term deposits	\$161,174,650	4%	\$199,128,609	6%
SIG Securities	\$191,148,882	5%	\$170,166,054	5%
Domestic bonds and loans	\$151,436,927	4%	\$152,937,193	5%
Domestic properties	\$484,450,834	13%	\$351,468,513	11%
Offshore equities	\$186,271,978	5%	\$143,068,924	4%
Domestic equities	\$1,724,799,049	47%	\$1,419,106,037	43%
Total	\$3,670,688,740	100%	\$3,311,424,067	100%

Graph 6: 2019 Gross Investments by Major Asset Class



The drivers of the growth are from our domestic unlisted equity fair values, investment properties and offshore investments. Large growth are recorded for our share valuations in South Pacific Oil Limited, Solomon Telekom Company Ltd, Heritage Park Hotel Limited and all our offshore equity exposures in Bank South Pacific, Vanguard US S &P 500 Stock Index Fund, Vanguard European Stock Index Fund, and UBS Australia Share Fund.

As shown above the Board's investment portfolio has a concentration risks to domestic unlisted equities in particular to South Pacific Oil Limited and Solomon Telekom Company Ltd equities.

Table 14: Cash and Fixed Term Deposits

I Domestic Cash and fixed term deposits	2019		2018	
	Value	%	Value	%
Current Accounts	\$158,713,055	21%	\$286,239,643	33%
Fixed Term Deposits				
ANZ	\$115,020,844	15%	\$114,396,193	13%
BSP	\$295,842,355	38%	\$294,875,990	34%
Credit Corporation	\$51,140,654	7%	\$50,804,042	6%
Pan Oceanic Bank	\$50,689,511	7%	\$59,232,869	7%
BRED Bank	\$100,000,000	13%	\$0	0%
Total fixed term deposits	\$612,693,364	79%	\$589,309,094	67%
Total cash & fixed term deposits	\$771,406,420	100%	\$875,508,737	100%
2 Offshore cash & fixed term deposits				
Current Accounts (AUD, USD, EUR, GBP, PGK)	\$52,368,249	48%	\$98,397,188	49%
Fixed Term Deposits				
ANZ Singapore (USD)	\$50,981,312	47%	\$48,939,927	25%
ANZ Brisbane (AUD)	\$27,261,050	25%	\$37,050,083	19%
ANZ Singapore (GBP)	\$3,953,787	4%	\$3,977,968	2%
ANZ PNG (PGK)	\$22,837,572	21%	\$10,763,444	5%
Total fixed term deposits	\$4,312,680	4%	\$100,731,421	51%
Total cash & fixed term deposits	\$109,346,402	100%	\$199,128,609	100%
Total overall Cash	\$211,081,304	23%	\$384,636,831	36%
Total overall fixed term deposits	\$722,039,766	77%	\$690,040,515	64%
Total overall Cash & fixed term deposits	\$933,121,070	100%	\$1,074,677,346	100%

Table 15: Government Securities

	2019		2018	
	Value	%	Value	%
Treasury Bills	\$41,948,882	22%	\$20,166,054	12%
Development Bonds	\$150,000,000	78%	\$150,000,000	88%
Total Government Securities	\$191,948,882	100%	\$170,166,050	100%

Table 16: Private Sector Loans and Bonds

	2019		2018	
	Value	%	Value	%
I Loans				
Soltuna Limited	\$38,475,344	25%	\$20,382,905	13%
Heritage Park Hotel - Share holder Loan	\$23,878,621	16%	\$25,109,148	16%
Sasape Marina International Shipyard	\$4,139,580	3%	\$4,832,019	3%
SPOL Amortizing Loan	\$10,119,129	7%	\$15,152,267	10%
STCL Shareholders Loan	\$41,976,291	28%	\$54,260,381	35%
Urban Housing Scheme	\$3,321,193	2%	\$3,759,897	2%
Staff Micro-Loan Scheme	\$2,539,868	2%	\$2,453,676	2%
Total	\$124,480,026	82%	\$125,950,293	82%
2 Bonds				

	2019		2018	
Solomon Housing Ltd - D Bond 2	\$6,500,000	4%	\$6,500,000	4%
Soltuna Limited Convertible bond	\$20,486,900 I	4%	\$20,486,900	13%
Total	\$26,986,900 I	8%	\$26,986,900	18%

Table 17: Investment Properties

2019		2018	
Value	%	Value	%
\$50,284,000	12%	\$38,500,000	11%
\$28,144,125	7%	\$31,274,275	9%
\$64,478,550	16%	\$55,200,000	16%
\$13,081,750	3%	\$13,500,000	4%
\$95,575,500	23%	\$93,000,000	26%
\$1,282,200	0%	\$6,039,999	2%
\$31,080,000	8%	\$31,080,000	9%
\$10,329,680	2%	\$11,340,000	3%
\$33,357,800	8%	\$30,081,000	9%
\$4,835,052	1%	\$5,251,393	1%
\$4,600,000	1%	\$4,600,000	1%
\$2,100,000	1%	\$2,100,000	1%
\$70,432,806	17%	\$24,081,845	7%
\$4,700,000	1%	\$4,700,000	1%
\$414,283,482	100%	\$351,468,513	100%
	Value \$50,284,000 \$28,144,125 \$64,478,550 \$13,081,750 \$95,575,500 \$1,282,200 \$31,080,000 \$10,329,680 \$33,357,800 \$4,835,052 \$4,600,000 \$2,100,000 \$70,432,806 \$4,700,000	Value % \$50,284,000 12% \$28,144,125 7% \$64,478,550 16% \$13,081,750 3% \$95,575,500 23% \$1,282,200 0% \$31,080,000 8% \$10,329,680 2% \$33,357,800 8% \$4,835,052 1% \$4,600,000 1% \$2,100,000 1% \$70,432,806 17% \$4,700,000 1%	Value % Value \$50,284,000 12% \$38,500,000 \$28,144,125 7% \$31,274,275 \$64,478,550 16% \$55,200,000 \$13,081,750 3% \$13,500,000 \$95,575,500 23% \$93,000,000 \$1,282,200 0% \$6,039,999 \$31,080,000 8% \$31,080,000 \$10,329,680 2% \$11,340,000 \$33,357,800 8% \$30,081,000 \$4,835,052 1% \$5,251,393 \$4,600,000 1% \$4,600,000 \$2,100,000 1% \$24,081,845 \$4,700,000 1% \$4,700,000

The major refurbishments to the SINPF Board flagship property Anthony Saru Building (ASB) and the NPF building progressed well during the year. The ASB is expected to be completed in the next financial year in June 2020. Strong expressions of interests to lease had been received by the Fund for the ASB refurbished office spaces. The NPF building renovation due to decanting challenges will take a little longer to complete.



Site for the proposed new development for the Department of Foreign Affairs and Trade of the Commonwealth of Australia senior officials' residence on top of the Fund's Hibiscus Apartments, Honiara.

Table 18: Offshore Equities

	2019		2018	
	Value	%	Value	%
Bank South Pacific Ltd (Kina)	\$68,440,621	37%	\$62,127,632	43%
UBS Australian Share Fund (AUD)	\$19,110,265	10%	\$18,285,088	13%
Vanguard US Stock Index Fund (USD)	\$56,776,185	30%	\$50,943,079	36%
Vanguard European Stock Index Fund (EUR)	\$12,241,937	7%	\$11,713,124	8%
Loloata Island Resort (PGK)	\$29,702,970	16%	0	0%
Total	\$186,273,996	100%	\$143,068,924	100%

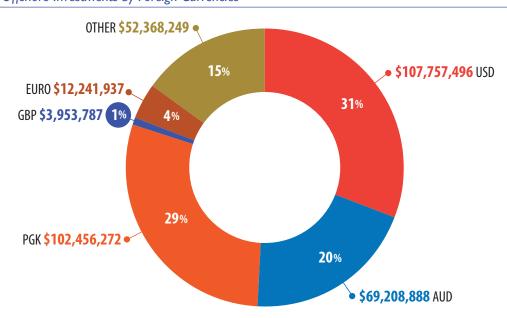
All our offshore equity exposures recorded positive growth and incomes from increases in their share and unit prices despite the depreciation of AUD, Euro and PGK against the Solomon Islands dollar.

Table 19: Onshore Equities

	2019		2018		
	Value	%	Value	%	
Solomon Telekom Company Ltd	\$465,000,000	27%	\$350,000,000	25%	
South Pacific Oil Limited	\$975,000,000	57%	\$900,000,000	63%	
Solomon Housing Limited	\$29,000,000	2%	\$20,999,000	1%	
Heritage Park Hotel Limited	\$69,500,000	4%	\$66,000,000	5%	
Soltuna Limited	\$37,500,000	2%	\$45,000,000	3%	
Solomon Oceanic Cable Company Ltd	\$15,669,411	1%	\$15,669,411	1%	
Solomon Islands Submarine Cable Co Ltd	\$116,172,642	7%	0	0%	
Dividend Receivables	\$16,956,996	1%	\$21,437,626	2%	
Total	\$1,724,801,068	100%	\$1,419,106,037	100%	

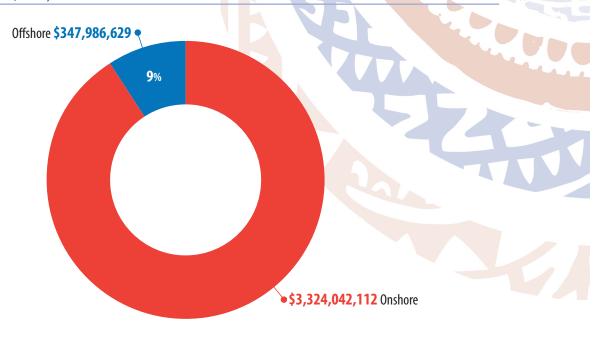
Except for Soltuna Ltd all the Fund's key domestic investments share fair valuations had improved, with large increases recorded by South Pacific Oil Limited and Solomon Telekom Company Ltd.

Graph 7: Offshore Investments by Foreign Currencies¹



¹ Includes equity, deposits and cash

The SBD value of PGK and Australian dollar investment assets went backwards as these two currencies depreciated against the Solomon Islands dollar during the financial year.



Offshore investments settled at more than 9% of the Fund's total investments portfolio at the end of the reporting period whilst more than 91% of the portfolio are invested onshore.

Potential Investments under Consideration

The Board's submission to a request for expressions of interest (EOI) publicly tendered out by the Australian High Commission in Solomon Islands and the Australian Department of Foreign Affairs (DFAT) in May 2018 financial year was successful. The EOI requested investors to submit proposals to build a residential compound for Solomon Islands Australian High Commission Staff in a suitably convenient location in central Honiara.

Under the proposal the SINPF will construct the residence with the necessary amenities at the Board land above the Hibiscus Executive Apartment to standards established by the DFAT for long term lease by the DFAT.

This will be a first of its kind investment enabling the Fund to secure a blue chip tenant in our property investments portfolio with secured long term rentals for at least the first 11 years following completion. It is expected that the investment proposal to build the residential compound will be prepared and presented to the Board and the Minister of Finance in the next financial year.

At the Bills and Legislative Committee (BLC) hearings for the proposed amendments to the SINPF Act in October 2018, the BLC requested the SINPF Board to investigate the feasibility of establishing and investing in an insurance company for the Fund.

The Board undertook the study with the financial support of the United Nations Capital Development Fund (UNCDF). The report is expected to be completed and presented in the next financial year.

To Watch Investments

Investments that are currently managed under the Board's to watch investments list include the two property investments Tavanipupu Island Resort and the Tulagi Slipway properties. These assets are continued to be closely managed for opportunities to turn these investment properties around or for disposal.

The resort is currently managed by the Board after taking ownership of the island resort titles in July 2017. The management will be outsourced to a 3rd party to manage the resort on a short term basis.

The Tulagi commercial properties are currently leased to Sasape International Shipyard Limited (SISL) and discussions are currently underway with SISL's on their interest to purchase the properties.

De-risking of the Investments Portfolio

The Fund's investment portfolio is heavily concentrated to our unlisted domestic equities against the Board's Strategic Asset Allocation Guidelines (SAA). The key driver of this concentration risk are the fair value of our shares in South Pacific Oil Limited and Solomon Telekom Company Ltd.

Over the recent past years and during the year, the Board has been discussing with potential parties to de-risk part of the Board's equity exposures in these entities. The Board's de-risking approach or strategy is to divest part of its shares to a credible partner but still maintaining majority control.

Though these discussions stalled, the Board will continue reaching out to potential parties for discussions on our de-risking plans.

Investment Governance

The Board contracted Frontier Equities Limited (FEL), a Papua New Guinea based investment company completed its property investment guidelines during the year. The investment committee and the property investment department will review the document for the eventual adoption of some of the recommendations of the report.

Membership on Investment Subsidiary Boards

To ensure that the Fund's domestic investment subsidiary corporate governance, financial reporting, vision and mission statements are consistent with the shareholder's vision and investment objective, members of the Board and senior management are appointed to their Boards. Furthermore by having SINPF Board and Senior Management on subsidiary boards ensures that there is always a direct link of information and update between the SINPF Board and its subsidiaries.

The Board is also recommending independent members to the subsidiary boards as well. This is increasingly becoming an acceptable governance trend that should on the Board balance the interest of the company with the interest of the shareholder.

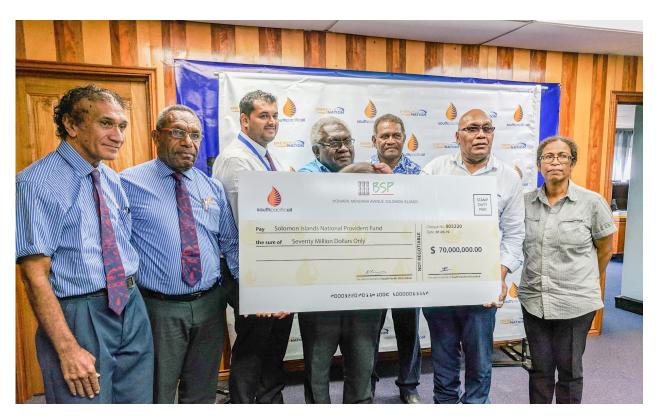
Directors representing SINPF interests in subsidiaries are recommended by the Board and to be agreed to by the Minister of Finance.



Newly completed Loloata Island Resort, Port Moresby, Papua New Guinea. The SINPF Board has a 15% shareholding in the company.

Table 20: SINPF Board and Management on Investment Subsidiary Boards

Subsidiary Boards	SINPF Shareholding	Names of Directors
Solomon Telekom Co. Ltd	97.32%	Mr. Baoro Koraua Mr. Kunal Nandan Mr. Robert Au Mr. Shepherd Lapo Mr. Riley Mesepitu
South Pacific Oil Ltd	100%	Mr Gideon Zoleveke Mr. Riley Mesepitu Mr. Mckinnie Dentana Mr. David Rupokets Mr Tony Makabo Mr Mike Wate
Solomon Housing Ltd	100%	Dr. Aaron Oritaimae Mr. Shephard Lapo Ms. Antoinette Wickham Mr. Robert Au Mr. Albert Afu
Heritage Park Hotel Ltd	20%	Dr Aaron Oritaimae
Soltuna Ltd	41%	Mr. Mckinnie Dentana Dr. Aaron Oritaimae (resigned during the year)
Solomon Islands Submarine Cable Company Ltd	49%	Mr. Gideon Zoleveke Mr. David Rupokets
Loloata Island Resort (PNG) Limited	15%	Mr. Peter Boyers



The Chairman and Senior Management of South Pacific Oil Limited (SPOL) presenting its 2018 dividend to SPOL's sole shareholder SINPF Board Chairman and Management.

HUMAN RESOURCES AND CORPORATE SERVICES

The Fund's total manpower reached one hundred and seventeen (117), compromising of one hundred and nine (109) permanent staff and seven (8) contracted managers.

The Board established a new risk management division during the year. The new division reports direct to the General Manager. A new Officer was recruited to manage and monitor the Board's risk management framework and risk register.

Besides recruitment for the new risk management division, eleven (11) new employees were recruited replacing those officers who have either retired, resigned or filling up newly created positions.

Three (3) permanent employees and two (2) contracted managers left the services of the Board on retirement, resignation and on the expiry of their contract.

The rate of workforce turnover has been minimal for the past years signifying SINPF's capability in retaining its workforce and the Fund being an ideal or better place for one to trade their labour.

Staff Development and Capacity Building

Two (2) officers continued their degree programs at the University of the University South Pacific (USP) Laucala Campus, Suva, Fiji in Land Management and Commerce and Accounting during the year on the Board's overseas long tern training program.

The youSave team undertook a study tour to Seven Delta Consulting in Nairobi, Kenya to study agent working and the use of digital channels to allow members to make deposits and withdrawals to and from their accounts. The training was supported by the United Nations Capital Development Fund (UNCDF) with funding from the Australian Government.

Locally three (3) officers successfully completed their diploma programs in Business Finance and Business Administration during the year whilst two (2) senior managers progress on part time basis their participation to secure their USP Postgraduate Diploma in Business Administration on part time basis.

With the support of Breadfruit Consulting, sixty two (62) officers including the General Manager participated at a two (2) day in house training on leadership whilst one hundred and four (104) officers undertook various training on time management, supervisory, and project management, conducted by Frontier Consulting Solomon.

In July 2018, all management and staff of the SINPF team undertook a I day retreat at the Guadalcanal Beach Resort (GBR) at Henderson to review the implementation and performance of the 2016-2021 Rolling Business Plan (RBP). The retreat was also used as a means of bonding of the SINPF team.



Management and staff at a day retreat on 29th July 2018 at the GBR Resort, reviewing the performance of the Board's Five Year Business Rolling Plan (2016 - 2021).

INFORMATION TECHNOLOGY

The IT department continued this period in capacity building and upgrading SINPF systems and hardware to improve Information Management and process efficiencies.

The period saw the replacement of three (3) edge security hardware systems with latest Adaptive Security Appliances. This provided improved security status to SINPF networks in Honiara as well as in its two office branches in Auki and Gizo. In pursuant of maintaining a very high level of security for its system and networks, SINPF continues to invest in reputable and reliable Network hardware systems.

A great milestone is the migration of Gizo networks, from a standalone network to the common SINPF domain network. In the prior year a similar setup was implemented in the SINPF Auki Branch Office. This change provided direct access to the SINPF domain network with quicker access to primary systems and services, and improved communications.

Also, within this period, the IT department established an IT Service Management System after the procurement and implementation of SysAid Systems. The department benefited from this system through effective recording of support calls and requests. The system created a platform for a centralised

Knowledge Base, purposed to provide a Knowledge Management function for all of the department's documented processes, issues and resolutions. The system also featured an IT project management function in which the department is planning to fully utilise.

The continued Microsoft (MS) Office Trainings program organised by IT department also saw an MS Excel 2010 training session completed in Auki over three days and sessions held on MS Excel and Outlook 2010 for HR logistics and support staff. The reviews from such trainings have always been positive.

AUDIT, COMPLIANCE, AND RISK

During the year independent, objective assurance and consulting services to Board of Trustees and Management were performed on the effectiveness of risk management, internal controls and governance processes.

Compliance reviews were undertaken on extreme and high risk areas within the Fund that included insurance, equity, procurement, customer complaints, use of board common seal, property locations and titles, staff welfare and tours to off-site offices and properties.

The monitoring of implementing the recommendations arising from the regular on-site inspection and external auditor's management letter points were satisfactorily progressed during the year.

Performance reviews were also undertaken during the year on the internal audit procedural manual, quality assurance exercises on department's performances, and a review of the Board Consolidated Charter.

The risk management register was monitored and implemented under the Fund's Risk Management Framework, a component of the Fund's 2016 to 2021 Rolling Business Plan.

PUBLICITY

The weekly SIBC radio program 'Current with NPF' continued to be the key pillar of the Board's regular communication to its members in addition to the sponsorship of the daily nightly service message program.

With the scale up of the informal sector retirement product youSave, marketing and promotion of the product intensified as part of rolling out youSave throughout the country.

PHILANTHROPY

The Board annually set aside a limited budget for philanthropy purposes to support communities, disadvantage members of our communities, charities and organizations advocating better health and education.

The Fund reached out and supported the Paralympic team that participated in the Samoa Pacific Games, the Prison Fellowship Group who organize programs for the spiritual well-being of the prisoners their spouse and children and acquisition of special made garbage bags for the National Referral Hospital (NRH).

LEGAL SERVICES

The Legal Services Department provides general legal services to the Board. Such services include but not limited to the following: (a) provision of legal advice; (b) general litigation; (c) prosecution of defaulting employers; (d) drafting and vetting of agreements, contracts, leases and all legal documents; and (e) general conveyancing.

The Board successfully used legal prosecution as a strategy against defaulting employers and customers together with positive dialogue to successfully recover unpaid contributions and other statutory obligations. This strategy is effective ensuring that employers and customers make good their accounts with the Fund.

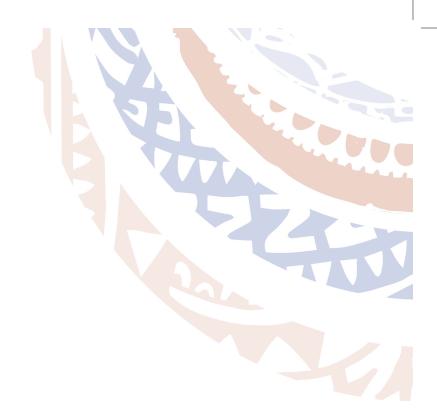
During the year the Board continued to deal with the long standing issue of illegal settlers occupying the Board land at Rautamana in Central Honiara. Encouraging progress has been made through positive negotiations with illegal settlers.

The Board also continued to deal with people claiming ownership over the Board owned land at Panatina, East Honiara. The ownership claim over this particular land is initiated by a group claiming to represent certain tribes of that locality. The litigation although slow, is currently progressing in the High Court of Solomon Islands.

In the course of the year the Board is well supported with the provision of legal advice as and when sought. This is a crucial service provided to the Board to ensure that decisions made on issues pertinent to the interest of members of the Fund is legally sound.

ACKNOWLEDGEMENT

The Board acknowledged the following for their external support given to the Fund during the year; the Minister of Finance and Treasury, the Permanent Secretary of the Finance and Treasury and Staff of the Economic Reform Unit, the Governor and staff of the Financial Institutions and National Financial Inclusion Departments of the Central Bank of Solomon Islands, the Australian Government, United Nations Capital Development Fund (UNCDF) of the United Nations, and the Private Sector Development Initiative (PSDI) of the Asian Development Bank (ADB).



SOLOMON ISLANDS NATIONAL PROVIDENT FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019



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SOLOMON ISLANDS NATIONAL PROVIDENT FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019



In accordance with a resolution of the Board of Directors of Solomon Islands National Provident Fund ("the Fund"), we state that-

In the opinion of the Directors:

- (a) the accompanying statement of changes in net assets is drawn up so as to give a true and fair view of the changes in net assets available to pay benefits of the Fund for the year ended 30 June 2019;
- (b) the accompanying statement of net assets is drawn up so as to give a true and fair view of the state of the affairs of the Fund at 30 June 2019;
- (c) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Fund for the year ended 30 June 2019;
- (d) at the date of this statement there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they fall due;
- (e) all related party transactions have been recorded and adequately disclosed in the attached financial statements; and
- (f) the financial statements have been prepared in accordance with the provisions of the Solomon Islands National Provident Fund Act 1973 (as amended), International Financial Reporting Standards and other applicable standards in the Solomon Islands.

Peter Boyers Chairman of the Board

Michael Wate General Manager (CEO) Dr Aaron Oritaimae Deputy Chairman

Dated at HONIARA this 30 day of SEPTEMBER 2019

Solomon Islands Office of the Auditor-General



Independent Auditors' Report to the Members of Solomon Islands National Provident Fund Report on the Audit of the Financial Statements

Opinion

I have in joint consultation with the Board of Solomon Islands National Provident Fund ("the Fund") contracted PricewaterhouseCoopers Fiji which is part of the PricewaterhouseCoopers International network to assist me to audit the accompanying financial statements of Solomon Islands National Provident Fund, which comprise the statements of net assets as at 30 June 2019, the statements of changes in net assets available for benefits and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 20.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I have conducted the audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and the ethical requirements that are relevant to our audit of the financial statements and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

I am independent of the Fund in accordance with ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Other Information

Board members and management are responsible for the other information. The other information comprises the information included in the Fund's Annual Report for the year ended 30 June 2019 (but does not include the financial statements and my auditors' report thereon).

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard except that not all other information was available to us at the date of our signing.



Responsibilities of Board Members and Management for the Financial Statements

Board members and Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The board members and management are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

My objective is 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 auditors' 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 (ISAs) 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 ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

Independent Auditors' Report to the Members of Solomon Islands National Provident Fund (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due
 to fraud or error, design and perform audit procedures responsive to those risks, and obtain
 audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of
 not detecting a material misstatement resulting from fraud is higher than for one resulting from
 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the
 override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 I conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. My conclusions is based on the audit evidence obtained up to the date of our auditors' 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

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

In my opinion:

- i) proper books of account have been kept by the Fund, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and
- ii) to the best of my knowledge and according to the information and explanations given to me the financial statements give the information required by the Solomon Islands National Provident Fund Act (CAP 109), in the manner so required.

Peter Lokay Auditor General 30th September 2019 Office of the Auditor General Honiara, Solomon Islands



SOLOMON ISLANDS NATIONAL PROVIDENT FUND STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS **AS AT 30 JUNE 2019**

		June 2019	June 2018
	Note	\$	\$
ASSETS			
Investments			
Financial investments			
Commercial paper and treasury bills	6 (b) (i)	783,791,461	736,379,864
Government bonds	6 (b) (iii)	149,374,500	150,000,000
Loans and advances	6 (b) (ii)	132,359,540	118,070,413
Equity investments	6 (a) (i)	1,878,444,621	1,541,375,352
Non-financial investments			
Investment properties	6 (a) (ii)	448,968,879	351,468,512
		3,392,939,001	2,897,294,141
OTHER ASSETS			
Cash and cash equivalents	13	210,558,476	384,636,830
Receivables	5	37,940,343	29,860,679
Property, plant and equipment	7 (a)	112,427,321	80,154,512
Intangible assets	7 (b)	12,750,975	14,224,483
		373,677,115	508,876,504
TOTAL ASSETS		3,766,616,116	3,406,170,645
LIABILITIES			
Accounts payable		26,220,746	3,219,490
Other payables and accruals	8 (a)	10,230,495	7,198,367
Employee entitlements	8 (b)	18,910,276	30,857,265
TOTAL LIABILITIES (excluding net			
assets available to pay benefits)		55,361,517	41,275,122
NET ACCETO ANALIA DI E TO DAV			
NET ASSETS AVAILABLE TO PAY BENEFITS	4 (a)	2 711 254 500	2 274 905 522
DENEFITS	4 (a)	3,711,254,599	3,364,895,523
Daniel and Alexander			
Represented by: Allocated to members account	4 (b)	2 000 204 205	2.051.979.407
	4 (b)	2,988,206,395	2,951,878,406
Special death benefit Nominees trust account	4 (c) 4 (d)	3,103,741	(394,215)
	1 /	7,043,535	7,302,076
Reserves	4 (e)	712,900,928	406,109,256
TOTAL MEMBERS FUNDS		3,711,254,599	3,364,895,523

The above statement should be read in conjunction with the accompanying notes.

Signed in accordance with a resolution of the Board of Directors:

Peter Boyers Chairman of the Board

Dr Aaron Oritaimae **Deputy Chairman**

Michael Wate

General Manager (CEO)

SOLOMON ISLANDS NATIONAL PROVIDENT FUND STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2019

33	Note	June 2019 \$	June 2018 \$
INVESTMENT INCOME	1,00		
Interest income	3 (a)	32,134,921	29,694,124
Dividend income	3 (b)	97,370,717	92,954,140
Net gains from changes in fair value	3 (c)	223,288,612	166,358,035
Rental income	3 (d)	21,843,612	24,551,458
		374,637,862	313,557,757
Less:			
Direct investment expenses	3 (f)	(23,697,864)	(30,123,018)
Impairment loss	3 (f)	(2,008,557)	(14,152,379)
NET RETURN ON INVESTMENTS		348,931,441	269,282,360
Other income	3 (e)	13,392,184	4,935,248
		362,323,625	274,217,608
Less:			
Operating expenses	3 (g)	(52,744,733)	(45,919,685)
Impairment loss	3 (g)	(181,991)	(1,382,836)
NET INCREASE IN NET ASSETS AVAILABLE			
FOR BENEFITS FROM OPERATIONS		309,396,901	226,915,087
CONTRIBUTIONS			
Unallocated contributions		7,428,064	17,635,078
Allocated members' contribution		311,466,540	279,817,573
		318,894,604	297,452,651
BENEFITS			
Benefits paid	3 (h)	(284,744,029)	(270,109,815)
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS FROM MEMBER ACTIVITY		34,150,575	27,342,836
CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR	4(f)	343,547,476	254,257,923
Other comprehensive income Items that will not be reclassified to changes in net assets:			
Revaluation of property, plant and equipment			30,315,145
TOTAL COMPREHENSIVE CHANGES IN NET ASSETS FOR THE YEAR		343,547,476	284,573,068
Net assets available to pay benefits at the beginning of the year		3,364,895,523	3,080,322,455
Changes on initial adoption of IFRS 9	2.1.a	2,811,600	
NET ASSETS AVAILABLE TO PAY BENEFITS INCLUDING OTHER COMPREHENSIVE INCOME AT THE END OF THE YEAR	4(a)	3,711,254,599	3,364,895,523

The above statement should be read in conjunction with the accompanying notes.

SOLOMON ISLANDS NATIONAL PROVIDENT FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		June 2019	June 2018
	Note	\$	\$
Cash flows from operating activities			
Contributions from members and employers		318,894,604	297,452,651
Interest received		27,469,994	28,522,063
Dividends received		101,851,346	105,562,315
Rentals received		20,843,996	20,882,710
Other income received		8,593,759	5,291,933
Benefits paid to members	(2	84,744,029)	(270,109,815)
Payments to suppliers and employees	((54,431,900)	(71,772,904)
Net acquisition of commercial paper, treasury bills and			
government bonds	((51,807,313)	(61,536,912)
Loans and advances provided		1,500,266	17,180,500
Net acquisition of shares	(1	45,897,685)	(33,909,958)
Acquisition of investment properties	((86,428,120)	(13,959,016)
Net cash flows generated from operating activities	(1	44,155,082)	23,603,567
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		14,547	1,982,772
Acquisition of property plant and equipment	((29,373,727)	(8,237,581)
Acquisition of intangible assets	`	(41,266)	(0,257,501)
Net cash flows used in investing activities		(29,400,446)	(6,254,809)
the case it is as a second well the	(25,100,110)	(0,231,007)
Net (decrease)/increase in cash and cash equivalents	(1	73,555,528)	17,348,758
Cash and cash equivalents at the beginning of the year		384,636,831	367,288,073
Cash and cash equivalents at the end of the year	13	211,081,303	384,636,831

The above statement should be read in conjunction with the accompanying notes.



1. GENERAL INFORMATION

Solomon Islands National Provident Fund ("the Fund") is a defined contribution fund domiciled in the Solomon Islands. The Fund was established in 1973 under The Solomon Islands National Provident Fund Act (Cap 109) as a superannuation or saving scheme for all employees who are members of the Fund. The Fund is primarily involved in providing retirement benefits to its members. An employee is any person who has attained the age of 14, is not exempt and is employed under a contract of service, irrespective of the period for which a person is employed. The address of the Fund's registered office is at NPF Building, Mendana Avenue, Honiara, Solomon Islands.

Employers are required to make a contribution of 12.5% of gross wages for each employee and may recover 5% of the contribution from the employee.

Benefits from the Fund are paid to members on attaining the age of 50 years, on death, when members are physically or mentally incapacitated from further employment, permanent emigration or attaining the age of 40 years and have permanently retired. In general the benefits paid to members are equal to their accumulated contributions plus interest allocated to them annually by the Board (refer note 2.2 (g) below). In addition, on death of a member, the beneficiary of the deceased member's estate is paid a special death benefit.

The balance of the contribution account at any time represents the total liability to members for all benefits (other than special death benefit) in the event that all members become eligible for payment of benefit on that date.

The Fund is under the control of a Board. The Board's function and powers are those of a Trustee. The Fund is subjected to all the provisions of the Financial Institutions Act 1998.

2. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Fund are based on International Financial Reporting Standards (IFRS) and the Solomon Islands National Provident Fund Act (CAP 109) ("the Act"). The accounting policies have been consistently applied over the reporting and comparative year.

Management has concluded that the activities of the Fund meet the definition of an investment entity in accordance with the requirements of the amendments to IFRS 10, 12 and IAS 27. Consequently the Fund measures substantially all of its investments at fair value through the changes in net assets and therefore does not consolidate its subsidiaries.

(b) Standards, amendments and interpretations issued

Standards, amendments and interpretations issued but not yet effective

Apart from the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue form Contracts with Customers* which are discussed below, certain other new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2018. These have not been applied in preparing these financial statements as they are either not relevant or not yet effective for the Fund.

IFRS 16 *Leases* will become effective for the Fund for the year beginning 1 July 2019. This standard replaces the guidance in IAS 17 and particularly impacts on the accounting by lessees. This standard requires a lessee to recognise a lease liability and a right of use asset for virtually all lease contracts. The Fund will apply the simplified transition approach and will not restate comparative amounts when it adopts the standard.

The Fund is still evaluating the impact the new standard may have on the accounting for leases.

Except for the changes below, the Fund has consistently applied the accounting policies to all periods presented in these financial statements.



2.1 Changes in accounting policies and disclosures

Changes in accounting policies

IFRS 9 Financial Instruments

The Fund has adopted IFRS 9 Financial Instruments with a date of initial application of 1 July 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Fund adopted consequential amendments to IAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of changes in net assets. Previously, the Fund's approach was to include the impairment of financial assets in operating expenses. Additionally, the Fund adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures for 2019 but generally have not been applied to comparative information.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Fund classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 2.2.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies for and classification of financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 2.2.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Fund assumed that the credit risk on the asset had not increased significantly since its initial recognition.



The following table summarizes the impact of transition to IFRS 9 on reserves at 1 July 2018.

	\$
General reserve	
Closing balance under IAS 39 (30 June 2018)	305,842,768
Recognition of expected credit losses under IFRS 9	2,811,600
Opening balance under IFRS 9 (1 July 2018)	308,654,368

The nature and effects of the key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 July 2018

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Commercial paper and					
treasury bills	6(b)(i)	FVTPL	Amortised cost	736,379,864	731,929,758
Government bonds	6(b)(iii)	Held-to-maturity	Amortised cost	150,000,000	149,374,500
Loans and advances	6(b)(ii)	Loans and receivables	Amortised cost	118,070,414	117,469,342
Cash and cash equivalents	13	Loans and receivables	Amortised cost	384,636,830	383,676,005
Receivables	5	Loans and receivables	Amortised cost	29,860,681	39,309,784
Equity investments	6(a)(i)	FVTPL	FVTPL	1,541,375,352	1,541,375,352
Total financial assets				2,960,323,141	2,963,134,741
Financial liabilities					
		Other financial	Other financial		
Accounts payable		liabilities	liabilities	3,219,490	3,219,490
		Other financial	Other financial		
Other payables	8(a)	liabilities	liabilities	7,198,367	7,198,367
Total financial liabilities				10,417,857	10,417,857

The Fund's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.1(a). The application of these policies resulted in the reclassifications set out in the table above and explained below.

- a. Under IAS 39, equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.
- b. Loans, advances and receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of \$1,053,815 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 July 2018 on transition to IFRS 9.
- c. Government bonds that were previously classified as either FVTPL or held-to-maturity are now classified at amortised cost. The Fund intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An allowance for impairment of \$626,000 was recognised in opening retaining earnings at 1 July 2018 on transition to IFRS 9.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 July 2018.

	IAS 39			IFRS 9
	carrying			carrying
	amount at			amount at
	30 June			1 July
	2018	Reclassification	Remeasurement	2018
	\$	\$	\$	\$
Financial assets at amortised cost				
Commercial paper and treasury				
bills	736,379,864	-	(4,450,106)	731,929,758
Government bonds	150,000,000	-	(625,500)	149,374,500
Loans and advances	118,070,413	-	(601,071)	117,469,342
Cash and cash equivalents	384,636,830	-	(960,825)	383,676,005
Receivables	29,860,679		9,449,102	39,309,781
Total amortised cost	1,418,947,786	-	2,811,600	1,421,759,386

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the Fund's prior period's closing impairment allowance for financial assets in accordance with IAS 39 incurred loss model at 30 June 2018 to the opening ECL allowance determined in accordance with IFRS 9 expected loss model as at 1 July 2018.

	30 June 2018 (IAS 39) \$	Reclassification \$	Remeasurement \$	1 July 2018 (IFRS 9) \$
Loans and receivables and held to maturity securities under IAS 39/financial assets at amortised cost under IFRS 9 (includes commercial paper and treasury bills, government bonds, loans and advances, cash and cash equivalents and				
receivables)	39,265,747	-	(2,811,600)	36,454,147
	39,265,747	-	(2,811,600)	36,454,147

IFRS 15 Revenue from Contracts with Customers

The Fund has adopted IFRS 15 with a date of transition of 1 July 2018.

The Fund has assessed that such adoption did not result in changes in accounting policies and adjustments to the amounts recognised in the financial statements in relation to revenues, with revenue being continued to be recognised as the Fund satisfies its performance obligations. The main revenue stream considered under this standard is the rental income until such time as the Fund adopts IFRS 16. The Fund satisfies its performance obligations over time for rental income.



2.2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are detailed as follows:

(a) Financial instruments (applicable from 1 July 2018)

Intial recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assesment

The Fund makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. This includes the Fund's equity investments.



Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

No impairment loss is recognised on equity investment.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of changes in net assets available for benefits

Loss allowances for ECL are presented in the statement of changes in net assets available for benefits as follows:

• *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the respective assets;

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Fund enters into transactions whereby it transfers assets recognised in its statement of changes in net assets available for benefits, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Modication of financial assets

If the terms of a financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of changes in net assets available for benefits when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.



(b) Financial instruments (before 1 July 2018)

Financial instruments comprised investments in equity, government and other fixed interest securities, term deposits, trade and other receivables, cash and cash equivalents, loans and advances, and trade and other payables. The Fund classified their financial assets in the following categories: at fair value through changes in net assets, held-to-maturity investments and loans and receivables. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

Financial instruments were recognised initially at fair value plus, for instruments not at fair value through changes in net assets, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments were measured as described below.

A financial instrument was recognised if the Fund became a party to the contractual provisions of the instrument. Financial assets were derecognised if the Fund's contractual rights to the cash flows from the financial assets expired or if the Fund transferred the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets were accounted for at trade date, i.e., the date that the Fund committed itself to purchase or sell the asset. Financial liabilities were derecognised if the Fund's obligations specified in the contract expired or were discharged or cancelled.

Financial assets at fair value through changes in net assets

This category had financial assets that were designated at fair value through changes in net assets at inception. This largely consisted of equity investments which were managed and evaluated on a fair value basis in accordance with the Fund's investment strategy and reported by key management personnel on that basis. Upon initial recognition, attributable transaction costs were recognised in changes in net assets when incurred. Subsequent to initial recognition, financial instruments at fair value through changes in net assets were measured at fair value, and changes therein were recognised in the changes in net assets.

The fair values of quoted equity investments were generally based on current bid prices. If the market for a financial asset was not active (and for unlisted securities), the Fund established fair value by using valuation techniques. These included the use of recent arm's length transactions, reference to other instruments that were substantially the same and discounted cash flow analysis making use of market inputs and relying as little as possible on entity-specific inputs.

Held to maturity financial assets

Held-to-maturity investments were non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management had the positive intention and ability to hold to maturity, other than those that met the definition of loans and receivables.

These were initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Government bonds with fixed interest rate were included under this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses. Loans and advances, cash and cash equivalents and trade and other receivables were included under this category.

Impairment of financial assets carried at amortised cost

The Fund assessed at each financial year end whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Delinquency in contractual receipts of principal or interest, cash flow difficulties experienced by the borrower, breach of loan covenants or conditions, initiation of bankruptcy proceedings, deterioration of the borrower's competitive position, and deterioration in the value of collateral were all factors which the Fund considered in determining whether there was objective evidence of impairment.

The Fund first assessed whether objective evidence of impairment existed individually for financial assets that were individually significant, and individually or collectively for financial assets that were not individually significant.

If the Fund determined that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it then included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss was or continued to be recognised were not included in a collective assessment of impairment.

The amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in the statement of changes in net assets.

When a loan was uncollectable, it was written off against the related provision for loan impairment. Such loans were written off after all the necessary procedures had been completed and the amount of the loss had been determined. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss was reversed by adjusting the allowance account. The amount of the reversal was recognised in the statement of changes in net assets.

(c) Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 18 - Valuations of equity securities
Note 6 (a) (ii) - Valuations of investment properties
Note 15 (a) - Impairment allowances of financial assets

(d) Members contribution

Contributions from employers and members are recorded when control of the asset is ascertained which is upon receipt of the contribution schedule forms from the employers and the registration of the Forms by the Fund. The Fund does not accrue for contributions for which no contribution schedule forms are received or received but not registered as it is not able to reliably measure estimate the contributions balance.

The contributions shown in the statement of changes in net assets represents total contributions received/receivable from employers and members.

(e) Special death benefit (SDB)

As provided for in the Act, an amount is deducted from each member's account at 30 June each year in respect of special death benefit to be paid following the death of any member to the beneficiaries of the member. The maximum sum payable for the year ended 30 June 2019 for each member was \$3,000 (2018:\$3,000).



(f) Nominee trust account

As provided for in the Act, if any person under eighteen years (other than the widow or widower) is nominated to receive an amount (or any portion of it) under section 32 then the amount or that portion shall remain in the Fund and shall be deemed to be held by the Board in trust for that person until he/she reaches the age of eighteen years.

(g) Interest on members account

Interest credited to a member's account at 30 June in any year is calculated on the balance standing to the credit of the member's account as at 1 July in the previous year. In accordance with Section 8 of the Act, the minimum interest rate to be credited to the members account is 2.5%. Under Section 10 of the Act, if the Fund is at any time unable to pay any sum which is required under the Act, then the sum required shall be advanced by the Government and the Fund shall, as soon as is practicable, repay to the Government the sum advanced.

(h) Property, plant and equipment

Land and buildings are measured at fair value. The fair value is determined on the basis of independent valuations prepared by external valuation experts, based on current market prices (as appropriate). The valuations are recognised in the financial statements of the Fund, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair value.

Subsequent costs are included in the asset's carrying amount or derecognised as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to changes in net assets.

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income (OCI) and credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the changes in net assets to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, is transferred directly to general reserve.

Plant and equipment, leasehold improvements and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment, including buildings but excluding freehold land. Depreciation is calculated on a straight line basis so as to write off the cost of the asset over its useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The following annual rates are used in the calculation of depreciation for the current and prior year:

Buildings 5%
Machinery equipment and motor vehicles 25%
Furniture, fittings, computer and other equipment 25%

Leasehold improvements

Lower of term of lease or estimated useful life



(i) Impairment of non-financial assets

Assets that have an indefinite life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Income tax

By virtue of Section 36 of the Solomon Islands National Provident Fund Act 1973 as amended, the Fund is exempt from income tax.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

(l) Foreign currency

Functional presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in Solomon Islands Dollars, which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the changes in net assets.

(m) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Other payables and accruals

Other payables and accruals are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods or services. Other payables and accruals are recognised at fair value and subsequently measured at amortised cost.

(o) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are

measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the changes in net assets in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in the changes in net assets in the period in which the property is derecognised.

(p) Revenue recognition

Interest income

Interest income is earned from investments such as government securities, other fixed securities, loans and advances and term deposits. Interest income is recognised using the effective interest method.

Property rentals

Property rental income from operating leases is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income is generally payable monthly and within 30 days of being due.

Dividend Income

Dividend income from investments is recognised when the right to receive payment is established.

(q) Expenses

Benefits paid

Benefits paid include member withdrawals and other member payments. These are recognised upon payment of such benefits.

Other expenses

Expenses are recognised in the statement of changes in net assets on an accrual basis.

(r) Employee entitlements

Wages and salaries and sick leave

Liabilities for wages and salaries and incentives expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Payments for non–accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave, gratuity benefits and retirement benefits

Gratuity and retirement benefits are paid in respect of services provided up to the reporting date by employees and on retirement and/or on completion of their contractual term. The liability for long service leave, gratuity benefits and retirement benefits is recognised in employee entitlements measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(s) Intangible assets

IT software

IT software which is purchased or implemented is recorded at cost and is amortised over its estimated useful life.

Asset Rate
Computer Software 10%

(t) Comparative

All necessary information has been classified or reclassified where applicable and presented to achieve consistency in disclosure with current financial year amounts and other disclosures.



3. INCOME AND EXPENSES

	June 2019	June 2018
(a) Interest income	\$	\$
Cash at bank	68,223	155,949
Treasury bills	301,458	123,789
Bonds	11,416,345	11,267,250
Loans and advances	10,155,316	9,413,294
Investment securities - commercial paper	10,193,579	8,733,842
Total	32,134,921	29,694,124
(b) Dividend income		
Quoted shares	8,520,014	7,710,635
Unquoted shares	87,784,231	84,678,462
Managed funds	1,066,472	565,043
Total	97,370,717	92,954,140
		2 = 92 2 19 1 1
(c) Gains from changes in fair value	19 079 015	1 150 202
Investment properties	18,978,015	1,158,283
Equities	194,001,000	156,362,628
Net foreign exchange gains	10,309,597	8,837,124
Total	223,288,612	166,358,035
(d) Rental income		
Investment properties	21,843,612	24,437,984
Others	<u> </u>	113,475
Total	21,843,612	24,551,458
(e) Other income		
Reversal of employee retirement benefits	7,692,637	-
Bad debts recovery	2,896,725	817,927
Gain on sale of property, plant and equipment	14,547	708,720
Surcharge	2,550,760	3,244,030
Others	237,515	164,571
Total	13,392,184	4,935,248
(f) Direct investment expenses		
Utilities (water and electricity)	4,716,373	6,979,344
Repairs and maintenance	6,496,702	15,694,708
Land rates and rental charges	3,329,351	1,210,601
Insurance	1,802,981	1,195,686
Management fees	4,316,953	2,795,917
Cleaning services	1,279,028	1,156,765
Valuation and consultation fees	1,756,476	1,089,997
Total	23,697,864	30,123,018
Impairment loss – loans and advances	1,060,622	2,264,478
Impairment loss/(gain) – dividend receivable	(48,292)	9,759,163
Impairment loss – other receivables	1,566,545	2,128,738
Impairment loss/(gain) – commercial paper & treasury bills	(132,321)	-
Impairment loss/(gain) – cash and cash equivalents	(437,997)	
Total	2,008,557	14,152,379



3.	INCOME	AND	EXPE	NSES (Continue	(be
J.	IIICONIE.				Commun	cu,

(c) Operating expenses	June 2019	June 2018
(g) Operating expenses Board and management allowances	1,464,186	1,185,741
Utilities (water and electricity)	1,656,472	1,312,154
Repairs and maintenance	3,124,893	712,225
Land rates and rental charges	37,000	29,000
Administrative expenses	12,759,439	10,415,007
Depreciation and amortisation expense	6,661,462	5,056,853
Insurance expense	403,248	162,188
Audit fees	552,000	358,840
Bank charges	56,872	63,310
Consultancy fees and expenses	1,209,135	1,225,397
Staff expenses (refer below)	24,820,026	25,398,970
Total	52,744,733	45,919,685
Impairment loss – surcharges and other receivables	181,991	1,382,836
The breakdown of staff expenses are as follows: Wages and salaries	14044700	14.760.440
Contributions to SINPF	14,844,708	14,769,440
	1,190,028	1,212,124
Employee benefits	2,471,365	4,219,530
Other staff costs	6,313,925	5,197,876
	24,820,026	25,398,970
(h) Member Benefits	(020 000	5 144 600
Interest on withdrawal, trust and other members expenses	6,938,009	5,144,688
Contribution withdrawals (refer Note 4(b)) including youSave	275,933,010	263,208,768
Special death benefit payments (refer Note 4(c))	563,000 1,310,010	640,152 1,116,206
Nominees trust payment (refer Note 4(d)) Total	284,744,029	270,109,815
Tutai	204,744,029	270,109,013

4. NET ASSETS AVAILABLE TO PAY BENEFITS

The following is a summary of net assets available to pay benefits and movement in related accounts during the year:

Revaluation Reserve

Revaluation of land and buildings (excluding investment properties) was carried out on 15 June 2018. The revaluation surplus/loss is credited to the revaluation reserve. The next revaluation of the land and buildings is expected to be carried out in the 2023 financial year.

General Reserve

Income less normal operating expenses are credited to the General Reserve unless otherwise appropriated.

The following items are credited to this reserve each year:

- Net unappropriated surplus from operations; and
- Unallocated contributions outstanding more than 5 years from the unclaimed deposit account and unidentified members contribution including other appropriated contribution related accounts.



4. NET ASSETS AVAILABLE TO PAY BENEFITS (CONTINUED)

In the event that where the general reserve is in deficit due to losses arising from operations, including shortfalls resulting from interest allocated to members' accounts, such losses are to be offset and recovered from subsequent earnings and future surpluses.

		June 2019 \$	June 2018 \$
(a)	Net assets available to pay benefits		
	Net assets available to pay benefits	3,711,254,599	3,364,895,523
	Represented by:		
	Allocated to members' account	2,988,206,395	2,951,878,406
	Special death benefit	3,103,741	(394,215)
	Nominees trust	7,043,535	7,302,076
	Reserves	712,900,928	406,109,256
		3,711,254,599	3,364,895,523

In November 2018, National Parliament of Solomon Islands made amendments to the Solomon Islands National Provident Act whereas the Fund Board is to declare a rate of interest in respect of that financial year at or before the end of September in each year. Accordingly no allocation to members accounts were made out of reserves during the year relating to the performance of the Fund for the year ended 30 June 2019 which is different from prior years.

(b)	Liability	for	accrued	benefits
------------	-----------	-----	---------	----------

Elability for accraca beliefits		
Balance at the beginning of the year	2,951,878,406	2,760,786,174
Contributions received from members and employers	312,501,429	295,731,636
Interest credited to members accounts	-	160,499,937
Benefits paid – withdrawals (refer Note 3(h))	(275,933,010)	(263,208,768)
Transfer to nominees trust accounts (refer Note 4(d))	(972,074)	(1,877,392)
Transfer to special death benefits (refer Note 4(c))	(4,106,702)	(655,603)
Forfeited contributions transfer to general reserve (refer Note 4(e))	(1,554,829)	(1,599,348)
Contributions received from members – youSave	6,393,175	1,721,015
Other transfers / adjustments including yousave		480,755
Balance at the end of the year	2,988,206,395	2,951,878,406
Represented by:		
Allocated to members' accounts	2,960,621,916	2,924,510,852
Unidentified	27,584,479	27,367,554
_	2,988,206,395	2,951,878,406
Contribution and a		
Contribution revenue	212 501 420	205 521 626
Contributions received from members and employers	312,501,429	295,731,636
Contributions received from members – youSave	6,393,175	1,721,015
Total _	318,894,604	297,452,651
Represented as:		
Allocated members' contributions	311,466,540	279,817,573
Unallocated contributions		
Unanocated contributions	7,428,064	17,635,078
-	318,894,604	297,452,651

4. NET ASSETS AVAILABLE TO PAY BENEFITS (CONTINUED)

		June 2019	June 2018
		\$	\$
(c)	Special death benefit		
	Balance at the beginning of the year	(394,215)	(347,268)
	Transfer in from members account (refer Note 4(b))	4,106,702	655,603
	Benefit payments (refer Note 3(h))	(563,000)	(640,152)
	Transfer out to nominees trust (refer Note 4(d))	(45,746)	(62,398)
	Balance at the end of the year	3,103,741	(394,215)
(d)	Nominees trust account		
	Balance at the beginning of the year	7,302,076	6,136,791
	Transfer in from members account (refer Note 4(b))	972,074	1,877,392
	Transfer in from special death benefits (refer Note 4(c)	45,746	62,398
	Benefit payments (refer Note 3(h))	(1,310,010)	(1,116,206)
	Annual interest	33,649	341,701
	Balance at the end of the year	7,043,535	7,302,076
(e)	Reserves		
(i)	Asset revaluation reserve		
	Balance at the beginning of the year	100,266,488	69,951,343
	Add revaluation during the year		30,315,145
	Balance at the end of the year	100,266,488	100,266,488
(ii)	General reserve		
	Balance at the beginning of the year	305,842,768	243,795,415
	Changes on initial adoption of IFRS 9 – refer to Note 2.1.a	2,811,600	-
	Transfers in from members account (refer Note 4(b))	1,554,829	1,599,348
	Transfers in / (out)	302,425,243	60,448,005
	Balance at the end of the year	612,634,440	305,842,768
	Total reserves	712,900,928	406,109,256
(f)	Net change for the year The net change for the year has been appropriated to accrued benefits and reserves as follows:		
	Change in net assets for the year attributable to members of the Fund:	343,547,476	254,257,923
		<u></u>	
	Comprises net transfers to/(from):	26 227 222	101.002.222
	Liability for accrued benefits	36,327,989	191,092,232
	Special death benefit Nominees trust	3,497,956 (258,541)	(46,947) 1,165,285
	General reserves	303,980,072	62,047,353
		343,547,476	254,257,923
		JTJ,JT1,T10	437,431,943



5.	RECEIVABLES

3. RECEIVIBEES		
	June 2019	June 2018
	\$	\$
Interest receivables	11,879,985	7,215,058
Rental income receivables	18,318,257	17,318,641
Dividend receivables	16,956,996	21,437,625
Surcharge receivables	9,296,409	10,040,053
Other receivables	3,963,074	5,235,171
	60,414,721	61,246,548
Less: Impairment allowances	(22,474,378)	(31,385,869)
Total receivables	37,940,343	29,860,679
Movement in impairment allowance		
Balance at 30 June	(31,385,869)	(19,020,984)
IFRS 9 opening adjustment (Note 2.1.a)	9,449,102	_
Impairment loss recognised	(537,611)	(13,270,737)
Reversal of provision		905,852
Balance at the end of the year	(22,474,378)	(31,385,869)

The impairment allowance of \$22,474,378 (2018: \$31,385,869) is provided against arrears on surcharge receivables, dividend receivable, interest receivable and rental income receivables. The above provision includes \$224,017 (2018: \$249,032) in relation to related parties. On 1 July 2018, the Fund reversed its provision in relation to dividend receivable from Solomon Telekom Company Limited amounting to \$9,759,165.

6. INVESTMENTS

(a) Financial assets carried at fair value through changes in	June 2019	June 2018
net assets	\$	\$
(i) Equity securities at fair value:	·	
- Listed	156,546,935	143,706,941
- Unlisted	1,721,897,686	1,397,668,411
Total equities at fair value	1,878,444,621	1,541,375,352
The movement in equity securities		
Balance at the beginning of the year	1,541,375,352	1,341,707,914
Acquisitions/(Redemption)/transfer during the year	130,228,274	33,909,958
Gains from changes in fair value (refer Note 3(c))	194,001,000	156,362,628
Exchange differences	12,839,995	9,394,852
Balance at the end of the year	1,878,444,621	1,541,375,352
(ii) Investment properties		
Balance at the beginning of the year	351,468,512	336,289,988
Additions	86,428,120	14,020,241
Transfers from/(to) property, plant and equipment	(7,905,768)	-
Gain from changes in fair value (refer Note 3(c))	18,978,015	1,158,283
Total investment properties at fair value	448,968,879	351,468,512

Valuations of the Fund's investment properties were performed by Real Estate Solution, a licensed property valuer, to determine the fair value of land and buildings. The valuations were determined by reference to the current information available in relation to land and buildings. The effective date of the valuations was 19 June 2019. Valuation of buildings and improvements were generally prepared on a depreciated replacement cost basis given there is limited market information. This is a level 3 fair value measurement and uses information on average construction costs per square metre applied to the size of the building. Land component is determined using comparable market information and this is added to the building valuation in arriving at each property valuation. The Fund made certain adjustments on the value of the building where renovation work is still in progress to generally using a capitalisation rate of 8.5% to reflect the expected future earnings of these investment properties.

6. INVESTMENTS (CONTINUED)

	June 2019	June 2018
	\$	\$
(i) Commercial paper and treasury bills		
On shore deposits	612,693,365	589,309,094
Offshore deposits	109,154,792	100,866,728
Total deposits	721,848,157	690,175,822
Treasury bills	39,274,189	19,217,142
Other fixed term debt securities (debentures) – Related parties	26,986,900	26,986,900
	788,109,246	736,379,864
Less: Impairment allowance	(4,317,785)	-
Net commercial paper and treasury bills	783,791,461	736,379,864

Commercial paper and treasury bills were previously carried at FVTPL at 30 June 2018, but due to the short term nature of these instruments, fair value was assumed to approximate amortised cost.

The movement in commercial paper and treasury bills is as follows:		
Opening balance	736,379,864	675,400,680
Net movement during the year	50,008,359	66,892,090
Foreign exchanges differences during the year (unrealised)	(2,596,762)	(5,912,906)
Balance at the end of the year	783,791,461	736,379,864
Movement in impairment allowance:		
Balance at 30 June	-	-
IFRS 9 opening adjustment (Note 2.1.a)	(4,450,106)	-
Reversal of impairment allowance	132,321	-
Balance at the end of the year	(4,317,785)	-
(ii) Loans and advances		
- Commercial loans – Private entities	4,139,581	4,832,019
Related parties (refer Note 9(b))	130,118,796	114,904,701
- Member schemes	3,321,193	3,759,897
- Staff schemes	2,539,868	2,453,676
Total gross loans and advances	140,119,438	125,950,293
Less: Impairment allowances	(7,759,898)	(7,879,880)
Net loans and advances	132,359,540	118,070,413

The impairment allowance includes \$1,654,886 (2018: \$1,238,443) in relation to related parties.

Movement in impairment allowance:		
Balance at 30 June	(7,879,880)	(5,886,913)
IFRS 9 opening adjustment (refer Note 2.1.a)	(601,071)	-
Impairment loss recognised	(1,060,622)	(2,264,478)
Amounts written off / recovery on foreclosure	1,781,675	271,511
Balance at the end of the year	(7,759,898)	(7,879,880)

The impairment allowance of \$7,759,898 (2018: \$7,879,880) is provided against commercial loans to private entities and member and staff schemes.



6. INVESTMENTS (CONTINUED)	` 4 4 4	
	June 2019	June 2018
(iii) Government bonds	\$	S
Government bonds – Related party (refer Note 17(a))	150,000,000	150,000,000
Less: Impairment allowance	(625,500)	
Net government bonds	149,374,500	150,000,000
Movement in impairment allowance Balance at 30 June IERS 0 appring adjustment (refer Note 2.1 a)	(625 500)	
IFRS 9 opening adjustment (refer Note 2.1.a) Impairment loss recognised Balance at end of the year	(625,500)	



7(a) PROPERTY, PLANT AND EQUIPMENT	EQUIPMENT				
	Land and buildings (at valuation)	Machinery equipment & motor vehicles	Furmiture, fittings, computer & other equipment	Work in progress	Total \$
Cost or valuation					
Balance as at 1 July 2017	54,774,231	19,256,408	15,095,005	12,493,303	101,618,947
Transfers from work in progress	3,277,558	ı	1,203,192	(4,480,750)	
Transfer to intangible assets				(14,224,483)	(14,224,483)
Additions	•	770,894	286,625	7,180,062	8,237,581
Revaluation increment	30,315,145		1	ı	30,315,145
Forfeited accumulated depreciation	(13,778,104)	1	1	ı	(13,778,104)
Disposals	(1,509,019)	(2,254,968)	(186,930)	ı	(3,950,917)
Transfer to investment properties	•		1	(61,224)	(61,224)
Re class to expenses		-	-	(255,686)	(255,686)
Balance as at 30 June 2018	73,079,811	17,772,334	16,397,892	651,222	107,901,259
Balance as at 1 July 2018	73,079,811	17,772,334	16,397,892	651,222	107,901,259
Additions	1	2,632,955	635,900	26,104,872	29,373,727
Disposals/ write off	•	(2,727,366)	(502,397)	ı	(3,229,763)
Adjustments	•	5,475	27,950	ı	33,425
Transfer from investment properties	4,791,999			3,113,769	7,905,768
Balance as at 30 June 2019	77,871,810	17,683,398	16,559,345	29,869,863	141,984,416

Balance as at 30 June 2019	Carrying value Balance as at 30 June 2018	Balance as at 1 July 2018 Expense for the year Disposals/adjustment Adjustments Balance as at 30 June 2019	Balance as at 1 July 2017 Expense for the year Forfeited accumulated depreciation Disposals Balance as at 30 June 2018	7(a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED) Land and buildings (at valuation) \$
75,693,921	73,079,811	2,177,889 - - 2,177,889	12,461,760 1,761,407 (13,778,104) (445,063)	MENT (CONTINUED) Land and buildings (at valuation) \$
3,517,141	1,842,638	15,929,696 1,208,781 (2,750,676) (221,544) 14,166,257	16,724,913 1,256,488 - (2,051,705) 15,929,696	Machinery equipment & motor vehicles
3,346,395	4,580,841	11,817,051 1,862,602 (490,520) 23,815 13,212,949	9,958,189 2,038,958 - (180,096) 11,817,051	Furniture, fittings, computer & other equipment
29,869,863	651,222		1 1 1 1 1	Work in progress \$
112,427,321	80,154,512	27,746,747 5,249,272 (3,241,196) (197,728) 29,557,095	39,144,862 5,056,853 (13,778,104) (2,676,864) 27,746,747	Total \$

valuations were determined by reference to the current market values of land and buildings (refer Note 4). On 15 June 2018, independent valuations of the Fund's land and buildings were carried out by VHT Real Estate and a revaluation increment of \$30,315,145 recognised. The



7(b) INTANGIBLE ASSETS

		Computer Software
Cost		\$
Balance as at 1 July 2018		14,224,483
Additions		41,266
Adjustment		(102,584)
Balance as at 30 June 2019	•	14,163,165
Amortisation and impairment		, , , , , , , , , , , , , , , , , , ,
Balance as at 30 June 2019 and charge for the year	•	(1,412,190)
Carrying amount		(1,112,170)
At 1 July 2018		14,224,483
-		
At 30 June 2019		12,750,975
(a) Other payable and accruals	June 2019	June 2018
Rental bond	3,865,448	3,786,471
Other accruals	6,365,047	3,411,896
	10,230,495	7,198,367
(b) Employee entitlements (Provision for early retirement benefits, annual leave and long service leave) Current	8,979,173	11,735,729
Non-current	9,931,103	19,121,536
	18,910,276	30,857,265
Movement in employee entitlements:		
Balance at the beginning of the year	30,857,265	33,736,613
Created during the year	3,521,393	970,356
Utilised during the year	(15,468,382)	(3,849,704)
Balance at the end of the year	18,910,276	30,857,265

9. RELATED PARTIES

(a) Board members and key management personnel

Related party disclosures requires the disclosure of information relating to aggregate compensation of key management personnel. The key management personnel of the Fund are members of the Fund's Board and senior staff who have responsibility for planning, directing and controlling the activities of the Fund. In 2019, this group comprises of 19 individuals, including the CEO/General Manager, 9 non-executive Board Members, and 9 senior staff. Fees of the non-executive members of the Fund Board are determined by the Minister of Finance. The CEO/General Manager contract is subject to review by the Board of Trustees in terms of the Fund's policies. The Fund's Board of Directors determines the remuneration of other key executives.



9. RELATED PARTIES (CONTINUED)

(a) Board members and key management personnel (continued)

		Date of	Term of	Date appointment	
Names	Appointment	Appointment	appointment	lapse	Representing
		14 April 2014	1 year	20 May 2015	Employer
Mr. Peter Boyers	Chairman	20 May 2015	3 years	20 May 2018	Ministers
		20 May 2018	3 years	20 May 2021	Discretion
Dr. Aaron Oritaimae	Deputy Chairman	1 November 17	3 years	1 November 2020	Employee
Mr. Gideon		29 March 2013	3 years	29 March 2016	
Zoleveke (Jnr)	Member	29 March 2016	2 years	29 March 2018	
Zoieveke (Jiii)		29 March 2018	1 year	29 March 2019	Employer
		29 March 2013	3 years	29 March 2016	
Dr. Alice Pollard	Member	29 March 2016	2 years	29 March 2018	Minister's
		29 March 2018	1 year	29 March 2019	Discretion
Ms Antonette Wickham	Member	26 June 2018	3 years	26 June 2021	Employee
Mr David Rupokets	Member	26 June 2018	3 years	26 June 2021	Employer
Riley Mesepitu	Member	13 February 2019	3 years	13 February 2022	Crown
Robert Au	Member	16 May 2019	3 years	16 May 2022	Minister Discretion
Shepherd Lapo	Member	16 May 2019	3 years	16 May 2022	Employer

The specified executives of the Fund during the year were:

Names		Position
1.	Michael Wate	CEO/General Manager
2.	Ruth Alepio	Board Secretary
3.	Manasseh Taloafiri	Manager Human Resource & Corporate services
4.	Suzanne Orudiana	Manager IT
5.	Aluta Kakadi	Manager Employer and Member services
6.	Areau Hivu	Manager Internal Audit
7.	Ishmael Kako	Manager Legal Services – contract lapsed 22 November 2018.
8.	Rose Karoa	Manager Finance
9.	Jennifer Lakoa	Manager Investment
10.	Bennett Pitakia	Manager Property Assets - contract lapsed 16 Nov 2018.

The remuneration / allowances of the Fund's directors and key management personnel were as follows :

	June 2019	June 2018
	\$	\$
Directors:		
Sitting allowances	719,664	660,548
Other services and allowances	744,522_	525,193
	1,464,186	1,185,741
Key management personnel (executives):		
Short-term employee benefits	4,148,526	6,295,888
Post-employment benefits	1,122,034	1,524,110
Total compensation	5,270,560	7,819,998

9. RELATED PARTIES (CONTINUED)

(a) Key management personnel (continued)

Short-term benefits include cash salary, and in the case of staff, annual leave, long service leave, motor vehicle benefits, car parking, health benefits and the fringe benefits tax paid or payable on these benefits.

Post-employment benefits include superannuation benefits and in the case of staff, health benefits. Other long-term benefits include long service leave. The components of remuneration are reported on an accrual basis.

As at 30 June 2019, loans by the Fund to key management personnel is \$148,392 (2018: \$222,152).

(b) Related party transactions and balances

Details of the loans provided to related entities are set out below:

June 2019	June 2018
38,475,344	20,382,905
23,878,621	25,109,148
41,976,291	54,260,381
10,119,129	15,152,267
15,669,411	-
130,118,796	114,904,701
	38,475,344 23,878,621 41,976,291 10,119,129 15,669,411

In 2017, the Fund converted Solomon Telekom Company Limited's dividend receivables of \$65m into a commercial loan for a term of 5 years at an interest rate of 5% per annum.

<u>Dividend receivables from related parties</u> Solomon Telekom Company Limited	June 2019 16,956,996	June 2018 21,437,625
Commercial paper and treasury bills to related parties Solomon Islands Home Finance Limited - debenture	6,500,000	6,500,000
Soltuna Company Limited - debenture	20,486,900	20,486,900
Total commercial paper and treasury bills to related parties (refer Note 6(b)(i))	26,986,900	26,986,900
Held-to-maturity to related parties Solomon Islands Government - gross	150,000,000	150,000,000

During the year, the Fund entered into various transactions with related parties. The aggregate value of transactions with related parties during the year is as follows:

transactions with related parties during the year is as follows:		
Dividend income		
Solomon Telekom Company Limited	16,956,996	11,678,462
South Pacific Oil Limited	70,000,000	73,000,000
Total dividend income from related parties	86,956,996	84,678,462
Interest income		
Soltuna Company Limited	4,523,449	3,597,203
South Pacific Oil Limited	804,392	1,130,786
Solomon Islands Home Finance Limited	585,000	520,098
Solomon Telekom Company Limited	2,219,917	2,979,138
Solomon Islands Government	9,807,000	9,807,000
Heritage Park Hotel Limited	3,067,080	1,930,696
Total interest income from related parties	21,006,838	19,964,921



10. AUDITORS REMUNERATION

Fees totaling \$552,000.00 were provided in the accounts for audit services for the year ended June 2019 (2018: \$358,840). No other benefits were received by the auditors (Office of the Auditor General) during the year other than fees paid for normal auditing services.

11. GOING CONCERN

The Fund is designed to provide retirement and saving benefits to its members and it operates within the parameters of the Solomon Islands economy. The Central Bank has reported that prospects for the Solomon Islands economy are positive, however warns that further economic growth depends on maintenance of law and order and the Government's commitment to reforms and policies to enhance employment and the living standards of all citizens.

The Fund's Board and Management believes the Fund can comfortably meet its obligations to members as and when they fall due and that with concentrated attention, and the co-operation of the Central Bank, the opportunities for improved financial performance for the benefit of members can be realized.

12. CONTINGENT LIABILITY

At year end there is an open court case relating to land acquired by the Fund relating to Panatina Land Bank which was purchased for the amount of \$7.3million. The Fund does not believe a liability to the Fund will arise on settlement of the case and no provision has been recognised.

13. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank.

	June 2019	June 2018
	\$	\$
Cash at bank	215,509,841	384,633,430
Cash on hand	23,100	3,400
Bank overdraft	(4,451,638)	
	211,081,303	384,636,830
Impairment loss – IFRS 9 Impact	(522,827)	
	210,558,476	384,636,830
Movement in impairment allowance:		
Balance at 30 June	-	-
IFRS 9 opening adjustment (Note 2.1.a)	(960,825)	-
Reversal of impairment allowance	437,998	
Balance at the end of the year	(522,827)	

14. EMPLOYEES

The number of full time permanent Fund employees as at 30 June 2019 was 117 (2018: 116).

15. FINANCIAL INSTRUMENTS

Financial risk management

Exposure to operational, credit, liquidity, interest rate and currency risk arises in the normal course of the Fund's operations. The structure of the Fund's statement of net assets is primarily determined by the nature of its statutory functions and commercial considerations. At the same time, the Fund continually manages its exposure to risk, through a variety of risk management techniques. Risk management of the Fund is regulated by internal instructions and closely monitored by the Board.

15. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk

The Fund is exposed to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Fund's maximum credit risk, excluding the value of collateral, is generally reflected in the carrying value of financial assets. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. Impairment provisions are provided for expected credit losses.

Credit risk on financial assets is minimized where applicable by dealing with recognised monetary institutions. Selection of a counterparty is made based on their respective credit ratings, Investment decisions are based on credit ratings of the particular issuer and counterparty limits, as well as liquidity and expected returns.

Impairment losses/(gains) on financial assets at amortised cost recognised in changes in net assets were as follows.

	June 2019	June 2018 \$
Cash and cash equivalents	(437,997)	_
Commercial paper and treasury bills	(132,321)	_
Dividend receivable	(48,292)	9,759,163
Loans and advances	1,060,622	2,264,478
Other receivables	1,748,536	3,511,574
	2,190,548	15,535,215
Comprising:		<u> </u>
Financial assets	2,008,557	14,152,379
Surcharge and other receivables	181,991	1,382,836
	2,190,548	15,535,215

Amounts arising from Expected Credit Loss (ECL)

Inputs, assumptions and techniques used for estimating impairment.

See accounting policy in Note 2.2 (a).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and expert credit assessment and including forward-looking information.

Generating the term structure of Probability of Default (PD)

The Fund collects performance and default information about its credit risk exposures and analyses by type of borrower to determine the term structure of PD for exposures. The Fund uses the rating tools developed by Standard & Poor's (S&P) to generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. The PDs used are the S&P rates based on sovereign risk ratings attaching to or appropriate to the counterparty or the S&P rates applying directly to the risk rating of the counterparty. These S&P rates are applied to commercial paper and treasury bills, other debt securities, cash and cash equavalents, interest receivable, diviedends receivable and loans and advances. Those loans guaranteed by Government adopt the sovereign ratings of Government.

For "other receivables" and certain loans the Fund individually assesses the expected credit losses.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly includes quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The Fund considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. The Fund renegotiates loans to borrowers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Generally, this forbearance is a qualitative indicator of a significant increase in credit risk.

Definition of default

The Fund considers financial assets to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the borrower is past due more than 30 days on any material credit obligation to the Fund.

In assessing whether a borrower is in default, the Fund considers indicators that are:

- qualitative e.g. breaches of covenant;
- quantitative e.g. overdue status and non-payment on another obligation of the same issuer to the Fund; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether financial assets are in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Fund uses sovereign and corporate risk ratings which by their nature incorporate forward-looking information into the determination of both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Fund also considers the future direction of the respective economies. If necessary the Fund will develop a further individual assessment adjustment if its analysis suggests the need to do so.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors and the rating tools developed by S&P. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the parameters determined for different types and natures of financial assets, and using guidance material developed by ratings agencies and other independent parties.

The LGD rates reflect the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to recovery or settlement of the financial assets as well as the finance cost of settlement delays.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD is generally the gross carrying amount of the financial asset.

Cash and cash equivalents, debt securities

The Fund holds financial assets with local and foreign banks, credit institutions, corporates, other financial institutions and the Solomon Island Government. These counterparties are rated B to AA-, based on Standard and Poor's (S&P) ratings.

Loans and advances

The Fund adopts a similar approach to that adopted for debt securities to its consideration of ECLs for its loans and advances. Those loans not individually assessed for expected credit losses have PD rates assigned using S&P rates appropriate to the rating of the organisation, or a proxy for that rating if that organisation is not specifically rated.

Concentration of credit exposure

The Fund's significant end-of-year concentrations of credit exposure by portfolio type were as follows, before impairment:

punnenti	June 2019 \$	June 2018 \$
Foreign currency assets		
Commercial paper and treasury bills	109,154,772	100,866,728
Government bonds	-	-
Loans and advances	-	-
Cash and cash equivalents	52,368,247	98,397,188
Receivables	509,987	303,962
Local currency assets		
Commercial paper and treasury bills	678,954,474	635,513,136
Government bonds	150,000,000	150,000,000
Loans and advances	140,119,438	125,950,293
Cash and cash equivalents	158,713,056	286,239,642
Receivables	59,904,734	60,942,586
Total foreign and local currency assets before impairment	1,349,724,708	1,458,213,535

The following table presents the Bank's financial assets and Gold held with financial institutions based on S&P's credit rating of the foreign counterparties. AAA is the highest quality rating possible and indicates the counterparty has a strong capacity to pay interest and principal. N/R indicates that the counterparty has not been rated by Moody.

Concentration by credit rating	2019 %	2018 %
AA- to AA+	43	40
A- to A+	4	5
BBB- to BBB+	0	0
BB- to BB+	0	0
B- to B+	24	25
CC to CCC+	29	30
N/R	-	-
	100	100



At year end concentrations of credit risk are noted for Bank of South Pacific Limited, Australia and New Zealand Banking Group Limited, Westpac Banking Corporation Limited, Pan Oceanic Bank and Credit Corporation Limited. The asset allocation at reporting date is as follows:

	June 2019		June 2018
Assets	\$	%	\$ %
Commercial paper, treasury bills and government bonds	933,165,961	71%	886,379,864 63%
Loans and advances	132,359,540	10%	118,070,413 8%
Cash and cash equivalents	210,558,476	16%	384,636,830 27%
Receivables	37,940,343	3%	29,860,679 2%
Total before impairment allowance	1,314,024,320	100%	1,418,947,786 100%

The assets allocation range defines the high and low extremes within which each asset class may move in response to changing economic conditions. By approving an asset allocation range, the Board still maintains ultimate control over investment policies at the micro level while the Investment and Credit Sub-board Committee and Manager Investment are given the flexibility needed at an operational level to quickly respond to and take advantage of, changing economic circumstances to accept and consider investments for the Board and Ministerial approval.

The Manager Investment evaluates investment proposals to ensure viability and consistency with the approved investment strategy and prudential standards issued by Central Bank of Solomon Islands.

Credit quality:

	Neither pas	st due nor				
	defaulted	(Gross)	Impaired/ defaulted (Gross)		Total (Gross)	
Assets	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
Commercial paper, treasury						
bills and government bonds	938,109,246	886,379,864	-	-	938,109,246	886,379,864
Loans and advances	135,979,858	114,904,701	4,139,580	11,045,592	140,119,438	125,950,293
Cash and cash equivalents	211,081,303	384,636,830	-	-	211,081,303	384,636,830
Receivables	3,164,742	8,783,471	57,249,979	52,463,077	60,414,721	61,246,548

	June 2019	June 2018
	\$	\$
Cash and cash equivalents	211,081,303	384,636,830
Commercial paper and treasury bills	788,109,246	736,379,864
Debt securities	150,000,000	150,000,000
Loans and advances	140,119,438	118,070,413
Receivables	60,414,721	56,221,435
Gross assets subject to impairment consideration	1,349,724,708	1,458,213,535
Less: Impairment allowances	(35,700,388)	(39,265,748)
	1,314,024,320	1,418,947,787

(b) Government security risk

The Fund has a significant exposure to the Solomon Islands Government (SIG) through its holding of government securities and bonds. The total holdings from SIG (treasury bills and government securities) at 30 June 2019 was \$191,948,881 (2018: \$169,217,142).

(c) Foreign exchange risk

The Fund holds assets denominated in currencies other than Solomon Islands dollars, the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities, and the dividends earned denominated in other currencies will fluctuate due to changes in exchange rates. The Fund manages this risk through regular review of its off-shore investment porfolio.



The carrying amounts of the Fund's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

30 June 2019	SBD	AUD	USD	Euro	Others (GBP & PGK)	Total
Assets	\$	\$	\$	\$	\$	\$
Cash and cash						
equivalent	158,190,227	9,775,186	1,820	23,149,856	19,441,387	210,558,476
Commercial paper,						
treasury bills and						
government bonds	824,011,169	49,897,364	50,981,312	-	8,276,116	933,165,961
Equity investments	1,692,172,642	19,110,256	56,776,185	12,241,937	98,143,592	1,878,444,612
Total	2,674,374,038	78,782,806	107,759,317	35,391,793	125,861,095	3,022,169,049
30 June 2018						
Assets						
Cash and cash						
equivalent	285,905,279	23,839,650	16,996,071	23,149,853	34,745,977	384,636,830
Commercial paper,						
treasury bills and						
government bonds	785,513,155	37,050,083	48,939,927	-	14,876,699	886,379,864
Equity investments	1,397,668,412	19,012,141	50,886,281	11,680,886	62,127,632	1,541,375,352
Total	2,469,086,846	79,901,874	116,822,279	34,830,739	111,750,308	2,812,392,046

The foreign currencies that the Fund is mainly exposed to are Australian Dollar, US Dollar, Euro, GBP Pounds and PNG Kina currencies.

The following table details the Fund's sensitivity to a 10% strengthening and weakening of all major currency exposures against the Solomon Islands Dollar. The 10% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes listed shares and term deposits where the denomination of the investment is in a currency other than Solomon Islands Dollars. A positive number below indicates an increase in net assets where the foreign currency weakens by 10% against the Solomon Islands Dollar. A negative number below indicates a decrease in net assets where the foreign currency strengthens by 10% against the Solomon Islands Dollar.

	AUD impa	et (000s)	USD impa	ct (000s)	Euro impa	ct (000s)	GBP impa	et (000s)	PGK impa	act (000s)
	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
SBD Impact	Strengthen	Weaken								
Changes in net assets 30 June 2019	(7,227)	8,833	(9,789)	11,964	(3,217)	3,932	(1,396)	1,706	(10,046)	12,279
Changes in net assets 30 June 2018	(7,264)	8,878	(10,625)	12,987	(3,166)	3,870	(1,414)	1,728	(8,745)	10,688

(d) Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. The portion of the Fund's financial assets that are interest bearing are at a fixed interest rate and as a result, the Fund is not subject to significant amounts of interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash equivalents are invested at short-term market interest rates.

The credit risk on commercial paper and treasury bills is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and the Solomon Islands Government, a sovereign

state. The Fund has no borrowing for which it has to pay interest expenses and its liability is limited only to members' contributions which receive interest earnings calculated on a dividend basis. Accordingly an interest rate sensitivity analysis is not required.

Liquidity risk

The Fund invests the majority of the Fund's assets in investments that are not traded in an active market.

The Fund holds a security that is listed on the Port Moresby Stock Exchange, units in a UBS Managed Fund and Vanguard stocks where more than 90% of the investment are required to be held in listed stocks. Those units are considered readily realizable while those listed on Port Moresby Stock Exchange are not as liquid due to the lesser liquidity of the market.

The majority of liabilities of the Fund are long term in nature and are well structured in terms of benefits comprising of a mix of benefit commutation and fortnightly contributions payable throughout the life-time of the member.

The table below summarizes the Fund's exposures to liquidity risk and maturity analysis of assets and liabilities:

	Up to 1 month	1 - 3 months	3- 12 months	1-5 years	Over 5 years	Total
30 June 2019	\$	\$	\$	\$	\$	\$
Assets Cash and cash equivalents Commercial paper, treasury bills and held-to-	210,558,476		-	-		- 210,558,476
maturity investments	11,434,720	17,634,802	559,740,311	194,356,128	150,000,000	933,165,961
Loans and advances	-	-	-	55,429,565	76,929,975	
Receivables	13,358,684	3,484,005	21,097,654		, ,	- 37,940,343
Total	235,351,880		580,837,965		226,929,975	
Liabilities		, -,	, ,	- , ,	- , , ,-	7- 7- 7-
Accounts payable Other payables and	25,989,232	11,771	38,779	180,964		26,220,746
accruals	1,393,806	363,804		8,472,885		- 10,230,495
Total	27,383,038	375,575	38,779	8,653,849		- 36,451,241
Net liquidity gap	207,968,842	20,743,232	580,799,186	241,131,844	226,929,975	5 1,277,573,079
	Up to 1	1 - 3 months	3- 12 months	1-5 years	Over 5 years	Total
30 June 2018	\$	\$	\$	\$	\$	\$
Assets Cash and cash equivalents Commercial paper, treasury bills and held- to-maturity	384,636,830	-	-	-	-	384,636,830
investments	41,169,048	195,489,117	405,183,253	94,538,446	150,000,000	886,379,864
Loans and advances	-	-	-	94,521,796	23,548,617	118,070,413
Receivables	1,365,197	-	28,495,482	-	-	29,860,679
Total _	427,171,075	195,489,117	433,678,735	189,060,242	173,548,617	1,418,947,786
Liabilities Accounts payable Other payables and	3,170,798	39,931	8,761	-	-	3,219,490
accruals	-	1,790,490	1,852,558	3,555,319	-	7,198,367
Total	3,170,798	1,830,421	1,861,319	3,555,319	<u> </u>	10,417,857
Net liquidity gap	424,000,277	193,658,696	431,817,416	185,504,923	173,548,617	1,408,529,929

16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS

Management has concluded that the activities of the Fund meet the definition of an investment entity in accordance with the requirements of the amendments to IFRS 10, 12 and IAS 27. Consequently the Fund measures substantially all of its equity investments at fair value through the changes in net assets and therefore does not consolidate its subsidiaries.

		Place of business	Ownership	Fair value June 2019	Fair value June 2018
Subsidiaries					
(i) South Pa	cific Oil Limited	Solomon Islands	100%	975,000,000	900,000,000
(ii) Solomor	Islands Home Finance Ltd	Solomon Islands	100%	29,000,000	20,999,000
(iii) Solomor	Telekom Company Limited	Solomon Islands	97.32%	465,000,000	350,000,000
(iv) Solomor	Oceanic Cable Company Ltd	Solomon Islands	0	-	15,669,411
(v) SI Subm	arina Cable Co. Ltd	Solomon Islands	47%	116,172,642	-
Total fair valu	e - subsidiaries			1,585,172,642	1,286,668,411
Other equity i					
(i) Heritag	e Park Hotel Limited	Solomon Islands	20%	69,500,000	66,000,000
` /	Company Limited	Solomon Islands	40.5%	37,500,000	45,000,000
(iii) Bank S	outh Pacific Limited (Listed)	PNG		68,889,743	62,485,321
(iv) Offshor	re managed funds (listed)	US, AUS & EUR		87,657,192	81,221,620
(v) Loloata	Island Resort	PNG		29,725,044	-
Total fair valu	e - other equity investments	263,271,979	254,706,941		
Total fair valu	e of equity investments (refer		1,878,444,621	1,541,375,352	

Commencing in 2013, the Board adopted a policy to annually revalue its unlisted domestic equities, beginning with its two large equity exposures South Pacific Oil Limited and Solomon Telekom Company Limited. The valuations of all of the Fund's unlisted private equities for the 2019 financial year was carried out by independent valuer, Deloitte Australia. The valuations were carried out under the applicable International Financial Reporting Standard – IFRS 13 Fair Value Measurements.

(a) Subsidiaries

(i) South Pacific Oil Limited (SPOL)

There were no changes to the shareholding of SPOL during the year. SINPF holds 100% (53,333,333 shares) of SPOL. As at 30 June 2019, the interest in the company was independently fair valued at \$975,000,000 (2018: \$900,000,000).

(ii) Solomon Islands Home Finance Limited (SIHFL)

During the year there were no changes to the shareholding in SIHFL. The Fund holds 100% (5,109,091 fully paid shares) of SIHFL This subsidiary is the Fund's vehicle to provide housing solutions for members of the Fund on commercial terms. At 30 June 2019, the investment was independently fair valued at \$29,000,000 (2018: \$20,999,000).

(iii) Solomon Telekom Company Limited (STCL)

During the year there were no changes to the shareholding in STCL. As at 30 June 2019, the Fund owned 77,764,218 A class shares or 97.32% of the STCL. The other shareholder is the Investment Corporation of Solomon Islands holding 2,149,625 class A shares representing 2.68% of the STCL's ownership. At 30 June 2019, the investment was independently fair valued at \$465,000,000 (2018: \$350,000,000). STCL owes the Fund \$58,933,287 as at 30 June 2019.



16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS (CONTINUED)

(iv) Solomons Oceanic Cable Company Limited (SOCC)

SOCC was established in 2011 by the SINPF Board and Solomon Telekom Company Limited (STCL) to develop, operate, and own a submarine fibre optic cable network system to improve Solomon Islands connectivity to the rest of the world. As at 30 June 2019, the Fund owns 51% and STCL owns 49% of SOCC. At year end, however the activities were transferred to a new company formed by the Government of Solomon Islands, the Solomon Island Submarina Cable Co. Ltd (SICCL) in which the Fund has a 47% interest.

At 30 June 2019, the investment in SOCC was converted in to loan of the same amount.

(b) Other equity investments

(i) Heritage park Hotel Limited (HPHL)

During the year the Fund bought an additional 20 shares in HPHL and now holds 40 shares, representing 20% of the company's share capital. This increased the value of investment to \$69,500,000, (2018: \$66,000,000). HPHL also has a loan balance with the Fund which currently stands at \$23,878,622. The loan is accruing interest at the rate of 12.5% per annum.

(ii) Soltuna Company Limited (SCL)

In 2016, the Fund purchased 49% of the new share issues totaling 147,000,000 shares for \$15,680,000. This brought the Fund's shareholding in Soltuna Ltd to 40.5%. The majority shareholder purchased the remaining 51% of the new issue of 153,000,000 shares for \$16,320,000. The other shareholders ICSI and Western Province shareholdings were diluted to 4.6% and 3.9% respectively. At the end of June 2019, the interest was independently fair valued at \$37,500,000 (2018: \$45,000,000). Soltuna continues to repay its \$50 million loan according to loan arrangements. At the end of the year, the loan balance was \$38,475,344, after obtaining an additional loan of \$23,000,000

During the 2016 year the Fund purchased a convertible bond from Soltuna Ltd at \$20,486,900 that was priced at 5% interest per annum. Interest payments on the bond are being met by Soltuna Ltd as agreed.

(iii) Bank of South Pacific Limited (BSP)

The Fund maintained its holding of 2,500,001 shares in BSP during the year. The BSP share price at the end of the year was \$27.37 per share (2018: \$11.06 Kina) giving a valuation of \$68,889,743 (2018: \$62,485,321).

(iv) Offshore Managed Funds

The Fund has investments in three managed funds namely; UBS Australian Share Fund, Vanguard US 500 Stock Index Fund, and Vanguard European Stock Index Fund. These funds are selected based on their proven past performance, and low fee structures.

UBS Australian Share Fund covers the ASX 300 with most of the value invested in ASX top 100 stocks. The Vanguard US Stock Index Fund invests in 500 stocks in the US S & P 500 Index, and the Vanguard European Stock Index Fund follows the composition of the MSCI European Index in roughly 460 stocks.

At 30 June 2019 the Fund has 1,810,631 units (2018: 1,707,781 units) in UBS Australian Share Fund at the recorded price of SBD \$10.55 (2018: SBD \$11.13) per unit (AUD \$1.8407) (2018: AUD \$1.8714). The Fund also maintained the same level of units in Vanguard European Stock Index Fund at 64,674 with a closing price per unit of SBD \$189.28 (2018: SBD \$180.69) per unit (Euro 20.5756) (2018: Euro 19.6868) at the end of the year. The Fund has retained its 207,924 units in the Vanguard US 500 Stock Index Fund, with a closing unit price of SDB 273.06 per unit (USD33.46501).

The interests are fair valued, using the unit prices provided by the individual funds dettermined themselves from share market prices on the day.



17. TREASURY BILLS AND OTHER PRIVATE COMMERCIAL LOANS

(a) Government bonds

	Julic 2019	Julic 2016
	\$	\$
SIG Development Bond – Bullet Series	120,000,000	120,000,000
SIG Development Bond – Amortising Series	30,000,000	30,000,000
	150,000,000	150,000,000
Less: Impairment allowance	(625,500)	-
Total government securities/Bonds (refer Note 6 (b) (iii))	149,374,500	150,000,000

June 2019

June 2018

In 2017, the government issued Bonds to the Fund. The first bond amounting to \$120m was issued at 6.5% interest rate with a term of 15 years, maturing on 20 March 2032. The second bond amounting to \$30m was issued at 6.69% interest rate with a term of 10 years, maturing on 30 March 2027.

(b) Treasury bills - Central Bank of Solomon Islands

The Fund tendered for treasury bills offered by the Central Bank of Solomon Islands on behalf of the Solomon Islands Government. At the end of the year, the balance of Treasury Bills held by the Fund was \$39,274,189 (June 2018: \$19,217,142). These were mostly 182 days Treasury Bills at rates between 0.4% to 1.5%.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Valuation models

The fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or broker price quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair values is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risk factors affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The valuation techniques include net present value and discounted cashflow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques includes risk-free and bench mark interest rates, credit spreads and other inputs used in estimating discount rates, bonds and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.



18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation framework

The Fund uses third party valuations to measure fair value. When third party information is used to measure fair value, then the Fund assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then how the fair value has been determined using those quotes.

(c) Fair value hierarchy - Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of net assets.

Financial assets at fair value through changes in net assets	Total	Level 1	Level 2	Level 3
30 June 2019				
Equity investments - Energy	975,000,000			- 975,000,000
- Telecommunications	581,172,643			- 581,172,643
- Tourism and hospitality	69,500,000			(0.500.000
- Manufacturing	37,500,000			- 37,500,000
- Financial services and others	215,271,978			- 58,725,043
	213,271,976	130,340,933		- 30,723,043
Total financial assets at fair value through changes in net assets	1,878,444,621	156,546,935		- 1,721,897,686
30 June 2018	Total	Level 1	Level 2	Level 3
Equity investments				
- Energy	900,000,000	-	-	900,000,000
- Telecommunications	365,669,411	-	-	365,669,411
 Tourism and hospitality 	66,000,000	-	-	66,000,000
- Manufacturing	45,000,000	-	-	45,000,000
- Financial services and others	164,205,941	143,706,941	-	20,499,000
Total financial assets at fair value				
through changes in net assets	1,541,375,352	143,706,941	-	1,397,668,411

There have been no transfers between the fair value hierarchies during the year.

The following table shows the reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy.

June 2019	June 2018
\$	\$_
147,668,411	105,104,715
4,001,001	3,386,696
145,897,685	39,177,000
(15,669,411)	<u>-</u>
281,897,686	147,668,411
	4,001,001 145,897,685 (15,669,411)

^{*}These gains and losses are recognised in the statement of changes in net assets as net gains from changes in fair values.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs as at 30 June 2019 in measuring financial instruments categorized as level 2 and level 3 in the fair value hierarchy.

Description	Valuation technique	Unobservable Input	Inter-relationship between significant unobservable inputs and fair value measurement
Unlisted private equity instruments (categorised in level 3)	Discounted cash flows: The valuation model considers the present value of expected future free cashflows, discounted using a risk-adjusted discount rate. The expected future free cashflows are determined by considering managements best estimate of revenue and EBITDA of the investee. The enterprise value determined under the DCF valuation is adjusted for surplus assets and net debt to arrive at an equity value.	 Forcast annual revenue growth rate Forcast EBITDA margin Risk adjusted discount rate – i.e. weighted average cost of capital (WACC) 	The estimated fair value would increase (decrease) if: The annual growth rate were higher (lower); The EBITDA margin were higher (lower); or The WACC were higher (lower). Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin.

Certain unlisted private equity instruments which are categorised in level 3 are valued using the tangible net assets method and therefore are not sensitive to unobservable inputs.

19. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standard relevant to the Fund has been issued. The Fund does not intend to apply this standards until its effective date:

IFRS 16 Leases

IFRS 16 removes the classification of leases as either operating leases or finance leases - for the lessee - effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements.

There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual returns.

Lessor accounting remains similar to current practice - i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for the annual reporting periods beginning on 1 July 2019 for the Fund. The Fund is in the process of evaluating the potential effect of this standard.

There are no other standards, amendments or interpretations that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

20. SUBSEQUENT EVENTS

There has not been any matters or circumstances that have arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operation of the Fund, the results of those operations, of the state of affairs of the Fund in future financial years apart from the matters discussed elsewhere in the financial statements.





