



SOLOMON ISLANDS NATIONAL PROVIDENT FUND



# ANNUAL REPORT 2014



## The Highlights

Value of  
members' contribution  
funds

**\$2.05  
billion**

compared to \$1.7 billion  
in 2013

**15%  
interest**

paid to members in 2014,  
\$236.2 million credited to  
members' accounts

Accumulated  
NPF membership

**173,286**

Members with credit  
contribution balances

**116,946**

4.5% increase from 110,950  
in 2013





Collected  
by NPF in 2014

**\$266.5**  
million

an increase from \$206.3  
million in Year 2013

Members' withdrawals

**\$116.7**  
million

an increase from \$86 million  
in Year 2013

Total assets

**\$2.6**  
billion

increase from \$2.3 billion  
in Year 2013

**\$288.5**  
million

total accumulated 2/3  
contribution pledges with  
local prescribed financial  
institutions



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# Pledge (Members)

## Our Vision

A comfortable life during and after retirement through sustainable contribution growth

## Our Mission

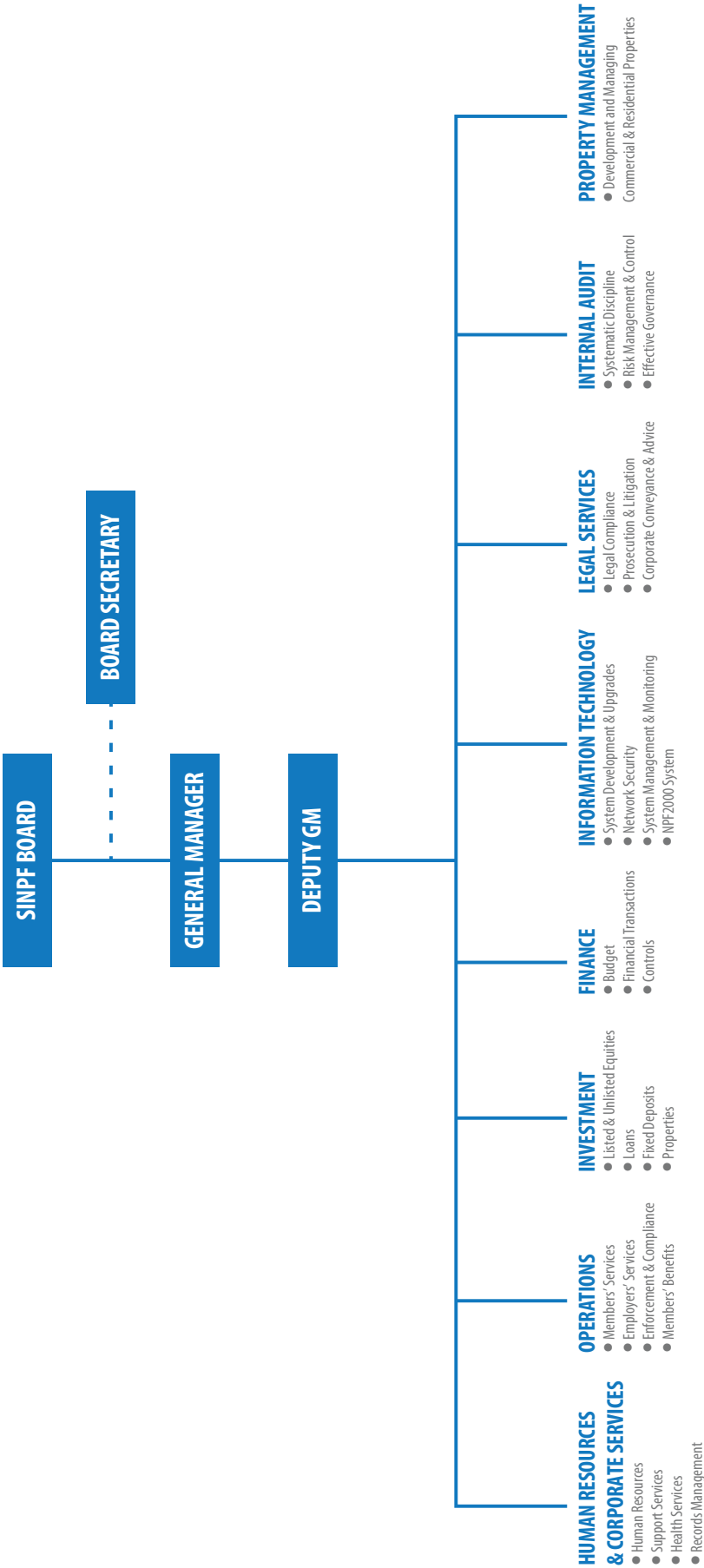
Achieve and deliver high returns and effective service delivery with satisfaction.

## Strategy & Value

- Committed to the best management practices with ethical conduct and integrity
- Preserve, protect and sustain growth of members' contribution wealth
- Focusing on productive investments that deliver high returns to members
- Committed to enhancing the country's economic growth and social improvements
- Effective management of risks to minimize any adverse effects to members' funds
- Strictly adhere to good governance principles and practices
- Further enhance human resources capacity to meet new challenges, productivity and succession planning
- Improve ICT systems to ensure effective communication, governance and quality customer services
- Pursue effective partnership with stakeholders to utilize commercial potentials
- Deliver staff welfare needs that promote motivation, productivity and retention
- Always be transparent, accountable and responsible for all actions taken



# SINPF Organisation Struture





## Board of Trustees



**Mr. Baoro Laxton Koraua**  
CHAIRMAN

Board member of the Fund since 2012. He represents Employers. He is also Board Director of Solomon Telekom Ltd. Chairman of IT and Audit & Finance sub-Committees.



**Mr. Peter Boyers**  
DEPUTY CHAIRMAN

Joined the Board in 2010. Appointed at the discretion of Hon. Minister of Finance he represents the Crown. He is the Chairman of South Pacific Oil Ltd, Board Director of Soltuna Ltd and Sasape International Slipway Ltd. Member of the Investment & Credit Sub-Committee.



**Mr. Harry Kuma**  
MEMBER

Board Member since 2012 representing the Crown. He is the Chairman of Solomon Telekom Ltd and Board Director of South Pacific Oil Ltd. He is also the Chairman of Investment & Credit sub-Committee and Member of Audit & Finance sub-Committee.



**Mr. Gideon Zoleveke (Jnr)**  
MEMBER

Appointed to the Board since early 2013. He represents the Employers. He is a Board Director of South Pacific Oil Ltd and Member of Investment & Credit Sub-Committee and the Board's Taskforce Committee.



**Dr. Alice Pollard**  
MEMBER

Board Member of the Fund since early 2013. Her appointment was made at the discretion of Hon. Minister of Finance. She is the Board Director of Heritage Park Hotel Ltd and Solomon Home Finance Ltd. She is also Chairperson of Staff Welfare sub-Committee.



**Dr. Levi Hou**  
MEMBER

Board Member of the Fund since 2011. He represents the Employees. He is the Board Director of South Pacific Oil Ltd and Member of Board's Taskforce Committee.



**Mr. Jerry M. Tengemoana**  
MEMBER

Appointed to the Board in 2014 at the discretion of the Finance Minister. He is a member of the Credit & Investment Committee and a member of the IT Committee.



**Mrs. Julie Gegeu Haro**  
MEMBER

Appointed to the Board in 2014. She represents Employees. She is a member of the Credit & Investment Committee.



**Ms. Ruth Alepio**  
BOARD SECRETARY

Board Secretary since 2001. She is a member of the NPF Management team.

## Chairman's Letter

Honourable Minister  
Ministry of Finance and Treasury  
P.O. Box G26  
Honiara  
Solomon Islands

Dear Sir,

### **SOLOMON ISLANDS NATIONAL PROVIDENT FUND ANNUAL REPORT 2014**

In accordance with Section 12(2) of Solomon Islands National Provident Fund Act 1973 (as amended), I have the honour 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 2014 which incorporates the Statement of Assets and Liabilities, Statement of Accounts and major development events and activities of the Fund during the financial period.

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

Yours faithfully,



**Baoro Laxton Koraua**

Chairman  
Board of Trustees  
Solomon Islands National Provident Fund



# Chairman's Report



On behalf of the Board of Trustees, I am happy to report that the Fund has continued to sustain financial growth with ongoing improvements in the members' contribution funds, investments portfolios, assets and profitability notwithstanding the slow-down experienced during the year as result of the April flood crisis which has had negative impact on the domestic investment environment and the volatility in the global investment markets. Having faced the economic challenge, the Board and management had exercised effective governance, focused on risk management, improving investment assets and our untiring commitment that led to the realization of the satisfactory financial outcomes for our members.

## Strategic Business Rolling Plan

The Fund, like all contemporary businesses, operates in a continuously changing environment. This necessitates the development and approval of the Fund's Five Year Strategic Business Rolling Plan 2014 – 2019 which stemmed from a Risk

Management & Risk Assessment 2013 – 2014 which I mentioned in my 2013 Annual Report. The Plan was comprehensively reviewed in relation to determining KPIs (key performance indicators) and updates so as to put in place vital policy changes and implementation of appropriate strategies to minimize risks and realize improvements and opportunities for the Fund. The Business Rolling Plan is to be reviewed on frequent basis during the planned period.

## Financial Performance

The Fund's overall financial performance is very satisfactory despite the challenges facing our investment portfolios during the year. The performance was heavily influenced by: income dividends from unlisted entities – South Pacific Oil Ltd, Solomon Telekom Ltd, commercial rentals, loans/bonds and some offshore investments. At the end of the financial year, the Board had declared 15% interest rate to members as compared to 20% interest rate declared in the previous year. In monetary terms, \$236.2 million was distributed to members' accounts. The Board is committed to ensuring that interest paid to members is in line with the Fund's long-term growth objectives and subject to compliance to the solvency requirement.

On the investment front, the Fund realized an 11% growth amidst a challenging and tough economic backdrop both within the onshore and offshore markets during Year 2014. At the end of the year, the total gross investments of the Fund reached \$2.6 billion from \$2.3 billion the previous year. It is anticipated that investments portfolios of the Fund will be further increased when the planned investment proposals do materialize in near future, to generate further returns to members.

## Members' Contribution Funds

The members' funds held by the Fund also experienced a sustainable growth. During the year, total contribution receipts amount to \$226.5 million from \$206.3 million in Year 2013. We envisage that members' funds will continue to be enhanced in response to future positive growth of the domestic economy which will trigger investment activities. At the year end, the members' contribution balance reached \$2.05 billion as compared to \$1.7 billion in the previous year.

**Table 1: The Fund's Five Year Financial Summary**

Financial Years	2014	2013	2012	2011	2010
<b>Total Income (\$ millions)</b>	161.5	813	138	135.5	64.4
<b>Members' Crediting Rate (%)</b>	15	20	6	8.75	5
<b>Interest Amount Credited (\$ millions)</b>	236.2	246	63.8	78.7	39.7
<b>Inflation Rate (%)</b>	7.2	4	7	7.3	1
<b>Real Crediting Rate (%)</b>	7.8	16	-1.1	1.45	4
<b>Total Members' Contributions (\$ billion)</b>	2,058.00	1,694.00	1,331.00	1,148.00	925
<b>Total Investments (\$ billion)</b>	2,603.00	2,360.00	1,443.00	1,228.00	1,071.00
<b>General Reserves (\$million)</b>	477.3	603.8	74.4	49.5	40.5

## Looking ahead

Solomon Islands economic outlook expects to continue seeing relative level of uncertainty. The economic health of many of world's major economies continued in light of eastern European conflicts and fuel oil crisis is of grave concern. At the local level, the Gold Ridge Mine operation is still closed for an indefinite period coupled with narrow economy and lack of investment opportunity. While it is difficult to predict how strong these economic headwinds could become in the next financial year and onwards, we are committed to remaining focused with our policies and strategies to realize the Fund's objectives – protecting and growing the members through delivery of satisfactory return. Furthermore, we will continue to search and identify commercial opportunities that will sustain adequate returns to our members. We also commit to bringing the ongoing investments to fruition to provide satisfactory return and growth of the Fund.

## Acknowledgment

The Fund, as an organisation, would not achieve the positive financial and operational outcomes without the support of the management and staff. As Board of Trustees, we can only render assistance and give direction. Our achievements are a reflection of the hard work, sacrifices and commitment by the staff of the Fund at all levels.

I would like to thank my fellow directors for their untiring advice, sacrifice, loyalty and cooperation in guiding and directing the Fund throughout the challenging financial year. Furthermore, I thank the Government, employers and other stakeholders for

the good working relationships and understanding with the Fund to achieve our objectives. I would like to render our appreciation to the senior officials from Ministry of Finance & Treasury and Central Bank of Solomon Islands for facilitating our good governance process in ensuring our investments are implemented in a prudential manner and risk management strategies improved.

The Management team and Staff under the leadership of General Manager/CEO are the principal force behind our performance and achievement during the year. In this respect, I would like to sincerely thank them all for their hard work, commitment and loyalty which enabled the SINPF to achieve the results. They have exercised good team effort which led to the successful growth of the Fund which is one of our principal priorities.



Baoro Laxton Koroua  
Chairman



## Executive Management



**Tony Makabo**  
GENERAL MANAGER



**Mike Wate**  
DEPUTY GENERAL MANAGER



**Aluta Kakadi**  
MANAGER OPERATIONS



**Suzanne Orudiana**  
MANAGER IT



**Jennifer Lakoa**  
MANAGER INVESTMENTS



**Ishmael Kako**  
MANAGER LEGAL



**Areau Hivu**  
MANAGER INTERNAL AUDIT



**Rose Karoa**  
MANAGER FINANCE



**Alfred Sare**  
MANAGER HUMAN RESOURCES  
& CORPORATE SERVICES

## General Manager's Report



**I am pleased that the Fund has achieved another satisfactory result for its members in what has been a challenging year for investment markets both locally and offshore. We envisage that this investment market volatility will remain in the new year and it is a challenge that we will have to stay on top of, to be able to deliver consistent returns to members. I am confident that the Fund will continue to increase value of our members' funds as it strives to participate actively in the economic development of Solomon Islands.**

### Membership and Contribution Funds

Notwithstanding the economic challenges faced, SINPF has continued to increase its membership and contribution balance. In the year, we saw 7,454 new members joining the Fund, taking the total accumulated membership to 173,286.

The increase in membership was reflected in a record collection of \$266.5 million, while members' withdrawals rose to \$116.7 million, during the financial year. Surplus funds were allocated to investments, that generated returns for members during the year. The total value of members' contribution reached \$2.05 billion at the end of the financial year, an increase from \$1.7 billion.

### Investment Performance

The gross investments portfolios of the Fund achieved a double-digit growth of 11 % despite the challenges faced in the domestic and offshore investment markets. The total gross investment portfolios at the end of the financial year reached \$2.6 billion, up from \$2.3 billion the previous year. With this level of investment assets, the SINPF Board was able to declare a 15 % interest rate as dividend and distributed \$236 million to members at the end of the Financial Year. With the cashed up position of the Fund and the low bank interest incomes that is being experienced, we will strive vigorously to identify potential investments where we can transform those low interest earning to high yield returns to our members. This is one of our challenges and focus in the next financial year and onwards.

### Business Plans & Risk Management

One of the Fund's priorities has been the need to undertake business reform to realize effectiveness and efficiency. In year 2013, a comprehensive review and assessment of the risks faced by the Fund was undertaken which highlighted a number of weaknesses, potential avenues for improvement and future opportunities for the Fund. This was confirmed with an organisation wide SWOT analysis, by the management and staff and subsequently reviewed by the Board.

As a consequence, the Five Year Rolling Plans 2014 – 2019 was developed through consultations with the Board, Management and Staff. Each department has its own business plan which form the overall Plan for the organisation. The established Plan objectives are referenced against the risk management issues raised in the Risk Management Statement & Risk Assessment report. The Plan does heavily rely on Managers and staff being prepared to work diligently to meet the determined objectives in a timely manner.

As part of mitigating risks to improving effectiveness and efficiency of the Fund's overall operations, a few strategic risk policies were developed including on whistle-blowing, procurement and outsourcing. These policies are being implemented across the Fund. The Business Rolling Plan is expected to be comprehensively reviewed and updated to ensure strategic actions and targets are achieved within stipulated time-frame. The Plan is to be reviewed periodically in consultation with the Board.



## Looking Forward

We expect to continue to see relative levels of uncertainty and volatility in the offshore investment markets. At the domestic level, the potential investment is limited, however we will continue to search and identify potential investments that will deliver high-yield returns and at the same time create employment opportunities for Solomon Islanders. We will be guided by our investment asset allocation strategies, which at present need review, to enable us to maintain our ultimate objectives of protecting, preserving and adding further value to our members' funds for retirement.

There are a number of investment proposals being assessed and analysed during the period and appropriate decision will be made in the next year. Whatever investment decision made, it must be prudently sound with rigorous discipline to secure added-value to our members' contribution funds in years ahead.

## Appreciation

We have been privileged to have the untiring support, guidance and direction from our Chairman, Board members, Board's sub-Committee members and Board Taskforce Committee members. Their valuable decisions, directive and support has enabled the Management and Staff to implement the strategic programs and activities that led to the

realization of our target objectives. In this respect, I, on behalf of Management team and Staff wish to accord our appreciation to them all.

I would also like to extend my appreciation to my colleague Managers and Staff for their genuine commitment, willingness and teamwork support they had rendered throughout the year. They have strived for success in all they do to achieve their set targets and the overall results achieved.

Lastly, I thank those employers who have made their commitment in meeting their statutory obligations in paying timely contributions on behalf of their employees to the Fund. I would encourage them all to continue with that commitment. As for all our members, we say thank you all for your continued trust and confidence in us. We will continue to strive as a team in achieving better returns for you to secure comfortable and enjoyable retirement in future. We are committed and determined to serve you and to sustain growth of your contribution wealth in years to come.



Tony Makabo  
General Manager & CEO



## Corporate Governance



*SINPF's Board of Trustees and Management. Left to right, back row, Mr. Jerry Tengemoana; SINPF GM, Mr. Tony Makabo; SINPF Deputy GM, Mr. Mike Wate; Mr. Peter Boyers; Mr. Gideon Zoloveke. Front Row, SINPF Board Secretary Ms. Ruth Alepio; Mrs. Julie Gegeu Haro; Minister of Finance & Treasury Rick Hou; and SINPF Chairman Mr. Baoro Laxton Koraua.*

### Board Appointments

The Board members are appointed, as Trustees by Hon. Minister of Finance & Treasury under SINPF Act (Cap.109). At least eight members are appointed to the Board each representing employers, employees, crown and two members at the discretion of the Hon. Finance Minister. The appointed members have relevant knowledge and expertise in various fields which add value and growth to the Fund.

**Table 2: Board Appointments**

Names	Appointment	Date Appointed	Term	Representing
Mr. Baoro Laxton Koraua	Chairman	7 March 2012	3 years	Employer
Mr. Peter Boyers	Deputy Chairman	11 October 2010	3 years	Minister's Discretion
		14 April 2014	1 year	Crown
Dr. Levi Hou	Board Member	9 September 2011	3 years	Employees
Mr. Harry Kuma	Board Member	21 June 2012	1 year	Crown
	Reappointed	21 June 2013	1 year	
	Reappointed	21 June 2014	1 year	
Dr. Alice Pollard	Board Member	29 March 2013	3 years	Minister's Discretion
Mr. Gideon Zoleveke (Jnr)	Board Member	29 March 2013	3 years	Employer
Mr. Jerry M. Tengemoana	Board Member	14 April 2014	2 years	Minister's Discretion
Mrs. Julie Gegeu Haro	Board Member	14 April 2014	2 years	Employees



The Board continued with fiduciary responsibilities and commitments to provide guidance, advice and monitoring of the overall performance of the Fund to ensure prudential management of members' funds, enhanced financial performance with positive growth and adequate return to members are sustained.

Changes to Board Membership

In terms of Board membership, three vacancies existed in the Board following the expiration of membership of Mr.Jsahia Manehia, Rev. Mareta Tahu and Mrs. Leotina Harihiru whose terms lapsed in January 2013. This left the Board functioning with only five members during the year until April 2014 when appointments were made by the Minister of Finance.

The terms in office of two Directors expired but were renewed as follows:

Table 3: Board Renewals

Names	Term of Appointment	Representing
Mr. Peter Boyers	11 October 2010 – 11 October 2013	Minister's Discretion
	14 April 2014 - 14 April 2015	Crown
Mr. Harry Kuma	21 October 2013 – 21 June 2014	Crown

Two new appointments were made during the year. They were Mr. Jerry M. Tengemoana, CEO of SOlomon Islands Chamber of Commerce and Mrs. Julie Gegeu Haro, Managing Director of Premier Real Estate and former President of Solomon Islands Women in Business. Mr. Peter Boyers was reappointed to the Board in April 2014 after his term lapsed on 11th October 2013.



The Hon. Minister of Finance & Treasury Rick Hou announces a 15% interest payment to members at the end of the 2014 Financial Year.



## Board Meetings

The Board is scheduled to meet at least six times in a financial year as per the statutory requirements. During the period, 13 Board meetings were convened compared to 24 meetings held in the previous year 2013 - a reduction by 11 meetings. The meetings comprised of five scheduled Board meetings and eight special meetings to discuss matters of great importance which required in-depth discussions for approvals. At the meetings, the Board invited professional advice on matters which required technical inputs to allow sound and informed decisions to be made. The attendance of Board Members at those meetings is shown on *Table 4*.

**Table 4: Board Meetings & Attendance**

Board Meeting Ref.	Date	B.L. KORAU	G. ZOLEVEKE	DR. L. HOU	DR. A. POLLARD	H. KUMA	P. BOYERS	J. TENGEMOANA	J. HARO
SBM2013/13	05.07.2013	•	•	•			•		
BM2013/03	16.08.2013	•	•	•	•		•		
SBM2013/14	27.08.2013	•	•	•	•		•		
SBM2013/13	30.09.2013	•	•	•	•		•		
BM2013/03	24.10.2013	•	•	•	•	•			
BM2013/05	13.12.2013	•	•	•	•	•			
BM2014/01	19.02.2014	•	•	•	•	•			
SBM2014/01	12.03.2014	•	•		•	•			
BM2014/02	14.05.2014	•	•	•	•		•	•	•
SBM2014/02	15.05.2014	•	•	•	•	•	•	•	•
SBM2014/03	18.06.2014	•	•	•	•	•	•	•	•
SBM2014/04	26.06.2014	•	•	•			•	•	•
SBM2014/05	30.06.2014	•	•	•		•	•	•	•

## Board Fees

The Board Members were remunerated through monthly and sitting allowances. The sitting allowances are paid when members attend Board Meetings, Committee Meetings; and Shareholders Meetings in SINPF subsidiaries.

The financial entitlements of the Board are normally approved by the Hon. Minister of Finance & Treasury under section 5 of the SINPF Act (Cap 109). During the year, the Hon. Minister had considered fitting that the Board allowances be reviewed in view of the tireless commitment and valuable contributions towards the growth of the Fund. The new level of remunerations for the Board was approved and made effective 14 April 2014 as outlined in *Table 5*.

**Table 5: Board Allowances**

Appointment	Sitting Allowances		Monthly Allowances	
	Rates (2014)	Rates (2013)	Rates (2014)	Rates (2013)
Chairman	\$2,000	\$2,000	\$2,500	\$2,500
Deputy Chairman	\$1,700	\$1,700	\$2,300	\$2,300
Members	\$1,500	\$1,500	\$2,000	\$2,000

Total monthly allowances paid to Board Members during the financial year were \$96,070.29, an increase by \$8,400 from last year as a result of the revised Board allowances approved by Hon. Minister of Finance & Treasury.

**Table 6: Board Meetings and Remuneration**

Name	Meetings attended vs planned meetings	Sitting Base Emolument	Total Sitting Allowances 2014 2013	Monthly Emolument	
Mr. Baoro Laxton Koraua	13/13	\$2,000	\$22,000	\$36,000	\$2,500
Mr. Gideon Zoleveke	13/13	\$1,500	\$16,860	\$24,700	\$1,500
Dr. Levi Hou	13-Dec	\$1,500	\$15,690	\$23,400	\$1,500
Dr. Alice Pollard	13-Oct	\$1,500	\$12,690	\$3,350	\$1,500
Mr. Harry Kuma	13-Jul	\$1,500	\$9,180	\$22,230	\$1,500
Mr. Peter Boyers	4-Apr	\$1,700	\$5,200		\$2,300
	05/05*		\$8,500		
Mr. Jerry Tengemoana	04/05*	\$1,500	\$6,000		\$1,500
Mrs. Julie G. Haro	04/05*	\$1,500	\$6,000		\$1,500



*Heritage Park Hotel, an SINPF subsidiary with the Fund holding a 10% shareholding.*



## Board Sub Committees

The Board continued to maintain five board subcommittees as part of the governance process in rendering support to make effective and prudent decisions. The roles of the subcommittees are to scrutinize submissions from commercial and technical perspective and provide recommendations to the Board for decisions.

During the year, the Board abolished the Legal Affairs Committee based on findings in the Risk Management Report on its ineffectiveness. All legal matters would now be referred to investment and Credit subcommittee for deliberations and decisions or recommendations to the Board. This leaves the following subcommittees to assist the Board in making informed decisions:

- Audit & Risk Management
- Welfare Committee
- Investment and Credit
- Information Technology

Besides the sub committees, the Board also appointed Task Force Committees comprising of Board members and supported by Management to deal with specific governance issues not covered by the subcommittees, as and when such matters arise. This has included the recruitment and selection of contracted managers, review terms of condition of employment of managers and driving SWOT on governance, risk management and the overall operations of the Fund thus led to the formulation and adoption of the Five Year Business Plans. The following Task Force Committees include:

- Task Force Committee to interview, recruit and select fit and proper person for the post of Manager Operations.
- Task Force Committee to interview, recruit and select candidates for the post of Manager Investments.
- Task Force Committee to review the terms and conditions of Managers under the Employment Contracts and make recommendations to the Board.
- Task Force Committee to drive the SWOT and Business Plan of the Board.

**Table 7: Sub-committee Membership**

Committees	Members
<b>Investments &amp; Credit Committee (ICC)</b>	Mr. Gideon Zoleveke
	Mr. Harry Kuma
	Mr. Jerry Tengemoana
	Mrs. Julie Gegeu Haro
<b>Welfare Committee</b>	Dr. Alice Pollard
	Dr. Levi Hou
	Mrs. Julie Gegeu Haro
<b>Audit &amp; Risk Management Committee</b>	Mr. Baoro Laxton Koraua
	Mr. Harry Kuma
	Mr. Gideon Zoleveke
<b>Information Technology Committee</b>	Mr. Baoro Laxton Koraua
	Mr. Harry Kuma
	Mr. Jerry Tengemoana

## Board's Directorship in Subsidiary Companies

The Board appointed its representatives in subsidiary entities that are either fully owned or partially owned by SINFP. During the year there was no changes to directorship in the Fund's subsidiary companies. The Board's representatives in the subsidiary companies maintain their directorship in performing their fiduciary responsibilities in the companies. The subsidiary companies and their Board directors are depicted in *Table 8*. It is important to note the Fund's Board does not have seats in subsidiary boards where SINFP holds minority shareholding such as less than 10% .

**Table 8: Appointments in Subsidiary Companies**

Subsidiary Companies	SINFP Shareholding (%)	SINFP Board Representatives
Solomon Telekom Co. Ltd	64.70%	Mr. Harry Kuma (Chairman)
		Mr. Baoro Laxton Koraua
		Mr. Tony Makabo
South Pacific Oil Limited	100%	Mr. Peter Boyers (Chairman)
		Mr. Harry Kuma
		Mr. Tony Makabo
		Mr. Mike Wate
		Dr. Levi Hou
Solomon Islands Home Finance Ltd	100%	Mr. Gideon Zoleveke
		Mr. Gabriel Suri (Chairman)
		Mrs. Julie Gegeu Haro (Chairman effective 15 May 2014)
		Mr. Tony Makabo
		Dr. Alice Pollard
Heritage Park Hotel	10%	Mr. Ishmael Kako
		Mrs. Jennifer Lakoa
Sasape International Shipyard Ltd	25%	Dr. Alice Pollard
		Mr. Peter Boyers
Soltai Fishing & Processing Ltd	29%	Mr. Mike Wate
		Mr. Peter Boyers
Solomons Oceanic Cable Company Ltd	51%	Mr. Austin Holmes (Chairman)
		Mr. Mike Wate



## **Risk Management & Mitigation**

The Board and Management are committed to a change management process to lift the operating performance of the Fund and to mitigate any potential risks, including reputational risk. This is a priority. A major challenge in the past related to the lack of formal, solid risk management combined with a strategic planning process in the Fund from both a top down and a bottom up perspective. With this change management process, the Board and Management are now committed to a greater use of risk management in the decision-making process.

The Board had commissioned a strategic review through the engagement of a consultant to identify potential risks and proposed mitigation strategies. This has led to the development of The Five Year Strategic Plans 2014–2019 through consultations with the Board, Management and Staff. The strategic objectives are to be met by responsible departments with regular monitoring requirements in place.

## **Statutory Compliance**

The Fund is committed to comply with the applicable statutory laws and regulations such as SINPF Act, The Financial Institutions Act, The Trustees Act, The Companies Act, etc.

During the year, the review of SINPF Act continued and has reached the drafting stage and is currently with the Attorney General Chambers. It is envisaged that a draft bill will be tabled in Parliament during 2015.

## **Prudential Supervision**

The prudential supervision of the Fund comes under the Central Bank of Solomon Islands (CBSI) in compliance to Financial Institutions Act. During the year, CBSI had undertaken an onsite examination on the Fund's investments and operations. The bank had noted a number of prudential issues that have since been addressed. The Fund has provided updates to CBSI on the identified issues during the onsite examination in the year.

## **Governance Policies**

The Board is committed to upholding strong principles of corporate governance and risk management processes at all times across the organisation. This is a vital step towards protecting, preserving and growing members' savings for retirement. In realizing the principles of corporate governance, the Board has developed appropriate policies on procurement, outsourcing and whistle-blowing.

## **Procurement**

Pertaining to procurement policy, the Board's desire is to ensure there is value for money when acquiring the required quality goods and services for the Fund. In so doing, the Fund is to achieve high standards of professionalism, transparency, accountability and responsibility while maximizing efficiency, effectiveness and flexibility in the procurement process within the system of check and balances.

## **Outsourcing**

This policy is developed to ensure that material, activities and services can be outsourced to achieve the Fund's planned objectives and goals in a most effective and efficient manner. The Board believes that some non-core functions of the Fund should be outsourced that will be better performed by external service providers who have the resources and expertise to provide the quality services to the Fund at competitive rates. A number of the Fund's non-core functions have been outsourced to the external service providers through public tender process. Other non-core functions are planned to be outsourced in the near future.

## **Whistle-blower**

This policy is designed to strengthen the governance process to ensure effectiveness, efficiency and growth of members' funds. It sets the guidelines to ensure that all cases of suspected wrongdoings are confidently reported and is managed effectively in a timely manner.

The whistle-blowing policy prescribes a framework for exposing misconduct, alleged dishonesty and other

illegal activity occurring within the Fund. The whistle-blower's identity is protected and remained confidential under the policy.

### Contracted Managers

Three Managers had their contract of employment expired during the year 2014. Their contract of employment with the Board was subsequently renewed for a further three years as result of going through the recruitment and selection processes required by the relevant policy. They include:

- |                                  |                       |                  |
|----------------------------------|-----------------------|------------------|
| • Manager Information Technology | Mrs. Suzanne Orudiana | 24 October 2013  |
| • Manager Operations             | Mr. Aluta Kakadi      | 17 November 2013 |
| • Manager Legal Manager          | Mr. Ishmael Kako      | 5 May 2014       |

### Capacity Enhancement & Meetings

There were a number of capacity building programs undertaken during the period. These were:

- Deputy General Manager Mr. Mike Wate attended a training on “A Practical Guide – Management of Risks in Small and Medium Enterprises” in Port Moresby, Papua New Guinea in August 2013.
- Board Secretary Ms. Ruth Alepio attended a Companies Secretary Training held in Manila, Philippines in August 2013.
- General Manager Mr. Tony Makabo and Assistant Manager, IT Mr. Don Fakarii participated in the CEO Forum of Pacific Provident Funds & Social Securities hosted by Kiribati National Provident Fund in August 2013.
- Manager, Human Resources & Corporate Services, Mr. Alfred Sare attended a two day training “2nd Global HR Excellence” in Kuala Lumpur, Malaysia in October 2013.
- Manager, Internal Audit, Ms Areau Hivu attended “Change Management Master Class programs” and Internal Audit training under Ministry of Finance and Australia’s Department of Foreign Affairs & Trade.

### Other Events

SINPF Chairman and Deputy General Manager held discussions with the Vanuatu National Provident Fund Board on a proposed investment in the energy sector, Vanuatu.

The Chairman participated and held discussions with potential investors in Brisbane with the view of establishing strategic partnerships with Solomon Telekom Company Limited.



# Investments Report

## Global Economy & Market Developments

By the end of second quarter of 2014, the IMF July 2014 World Economic Outlook marked down the projected global growth for 2014 to 3.4% from 3.6%, as a result of the unexpected weak first quarter result, particularly noted in US, China and several emerging markets. Global recovery is expected to regain momentum during the year; however downside risks to the outlook remain, with the likely impact of the geopolitical risks over Ukraine and Iraq crisis and its likely impact on energy prices and trade relationships.

Global inflation is expected to increase slightly to 1.6% in the major advanced economies apart from Europe, from 1.4% in 2013. In the US economy, it is forecasted that growth will rebound to 1.7% as the winter slows down and an improved inventory correction wane comes around. Inflation rose in the first quarter reflecting the high domestic demand as the gained momentum. In the Euro zone, growth is expected to strengthen moderately to 1.1% in 2014 from 0.5% in 2013. United Kingdom growth also expects an increase in growth to 3.2% from 1.7% in 2013.

Neighbours Australia and New Zealand showed mixed performances during the second quarter. The Reserve bank of Australia downgraded the country's growth forecast to 2.5% from 3.3% in the March quarter as a result of declining mining investments and fiscal restraints. However on the upside, retail confidence and better business will expect to see a positive strengthening in the third quarter of 2014.

## Solomon Island Economy

Solomon Island's domestic activities slowed down quarter on quarter since the April 2014 flash floods, which had a negative impact on palm oil production and further plummeted to almost 90% as at end of the June quarter, as result of the closing of the mining operation at Gold Ridge. Other key sectors of the economy including tourism, employment and foreign direct investment showed signs of improvement.

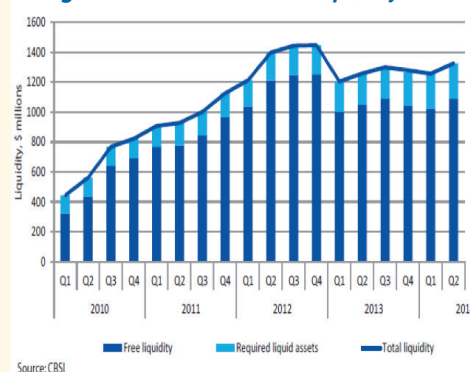
The continuing build up in the domestic financial system liquidity has resulted in the excess liquidity faced by banking system at the end of June 2014 which was an increase of about 5% as compared to the same period of the preceding year. This was a direct result of the increase in currency issued by CBSI combined with the 2% growth in *Net Foreign Asset (NFA)* of CBSI. See Figure 1.

Inflation rose to 7.2% (measured by three months moving average) in June as compared to 3.4% in March 2014. This was mainly driven by domestic inflation which increased to 12.7% by end of June as compared to 7.3% in the first

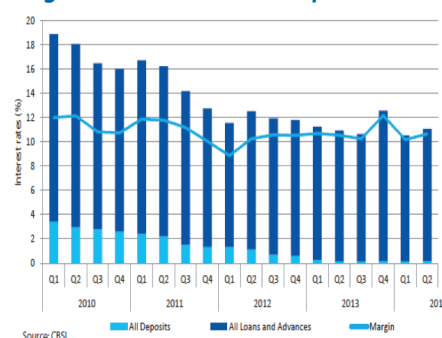
*Solomon Islands' narrow economic base and lack of good investment opportunity is challenging for the Fund....SINPF is far too cashed up and will one day be in a position where it will not be able to return adequate returns to its members, especially if the bank interest continues to be where they are because of too much liquidity.*

**SINPF Chairman Baoro Koraua**

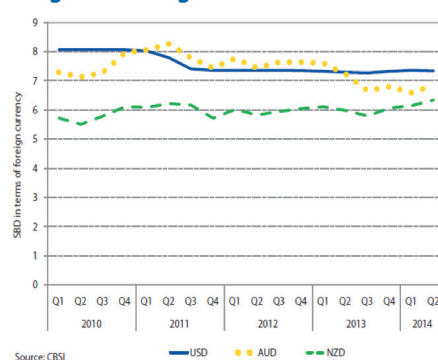
**Fig 1: Commercial Bank Liquidity**



**Fig 2: Interest Rate Development**



**Fig 3: Exchange Rate**





*The Acting Premier of the Western Province Wayne Maepio opens South Pacific Oil's new office in Noro, Western Province.*

quarter. Food inflation accounted for the 3% increase followed by housing and others. Domestic fuel prices on average increase by 1.1% as compared to the same period last year.

The country's gross foreign reserves improved in June, this was a 5% increase from the first quarter of the year to \$4.148 million, an import cover of 11.7 months.

### Investment Performance

Investment Summary for the 12 months ending 30 June 2014, saw a 11% growth in the Fund's overall gross investment portfolio amidst the challenging domestic investment environment that was continuing to be plagued by low interest rates and excess bank liquidity, with the overall gross investment portfolio closing at \$2.60 billion as compared to \$2.34 billion in the preceding year.

This was coupled with the closure of Gold Ridge Mine and the April flash-flood crisis that had a direct impact on Solomon Islands' domestic economy.

The strong cash income performance during the year continued to be firm; this was influenced by the revaluations done in the previous year on two of the Fund's major unlisted companies, South Pacific Oil Ltd and Solomon Telekom Ltd, under International Financial Reporting Standard (IFRS) 10: Exception to Consolidation. This strong performance attributed to the crediting rate of 15% to member's contributions at the end of the year as compared to 20% in the 2013.

Domestic equity dividend from two majority owned subsidiaries, South Pacific Oil Ltd and Solomon Telekom Ltd remain a major contributor to the fund's income for the year, which comprised 91% of the total dividends inflows of the year. With the 100% outright purchase of South Pacific Oil shares, the Fund is expected to earn a good return in the coming years whilst looking for feasible options to diffuse its current high exposure in these two cash cows to risk management level.

The continuing build up in the domestic liquidity has been a major setback in the demand for liquidity within the banking system and the continuing reasons for the low interest earned from the fixed income portfolio during the year to less than 1% as compared to 1% in 2013. On the other hand, the Fund's commercial properties continued to be a major income generating portfolio. On the downside, incomes from the domestic cash and fixed term deposits portfolio reduced significantly as interest rates remain low throughout the year, in addition to the continued general decline in all of the offshore cash and fixed term deposits.

## Returns on Investments

The Fund's financial performance is underpinned by the performance of the investment portfolio and its strategic asset allocation. The total net return on investments earned at the end of the financial year stood at \$161.5 million or 7.14% as compared to \$812.9 million or 35.58% in 2013.

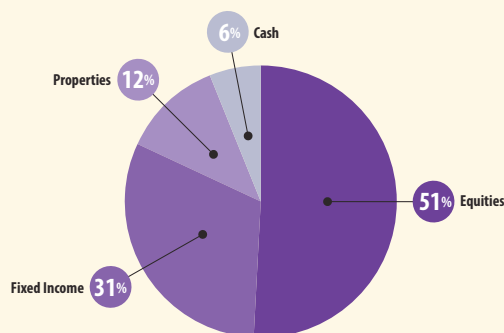
Table 9 below shows the composition of total investment income for the fund at year end.

**Table 9: Investment Returns for the year ending June 2014**

Composition of Income	Total Portfolio (billion)		Total Income (million)		Gross Return (%)	
	2014	2013	2014	2013	2014	2013
<b>INTEREST</b>						
Onshore Cash & FTDS	599,115,978	400,767,341	2,951,735	4,438,814	0.5%	1.1
Offshore Cash & FTDS	159,831,407	150,871,702	(6,601,633)	587,871	-4.1%	0.4
Government Securities	66,500,105	83,950,962	1,488,970	1,818,273	2.2%	2.2
Domestic Loans & Bonds	131,488,514	138,719,335	8,700,601	12,001,426	6.6%	8.7
<b>RENTAL</b>						
Property Investments	259,279,772	276,539,591	57,068,829	35,794,501	12.6%	12.9
<b>DIVIDENDS</b>						
Onshore Equities	1,070,444,170	1,170,931,599	79,823,038	777,653,149	7.5%	66.4
Offshore Equities	118,908,351	119,109,461	5,335,071	7,554,528	37.3%	6.3
<b>OTHER INCOME</b>	-	-	21,056,798	211,190	0.0%	0%
<b>TOTAL INCOME</b>	<b>\$2,405,568,298</b>	<b>\$2,340,889,991</b>	<b>\$169,823,409</b>	<b>\$840,059,752</b>	<b>7.1%</b>	<b>35.9</b>

Other declining factors include, the continuing low reinvestment interest rate climate in the domestic market and international market in the fixed income portfolios especially term deposits, loans and advances, and a reduction in dividend proceeds from the domestic equity portfolio as compared to 2013.

**Fig 4: Asset Allocation**



## Asset Allocation And Returns

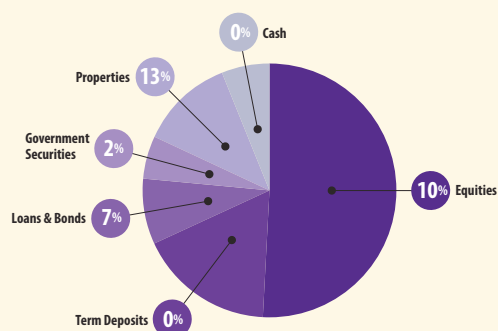
In terms of asset allocation, the Fund has three major asset classes; Fixed Income (31%), Properties (12%) and Equities (51%), the rest are held in cash which is around 6%, outlined in Figure 4.

### 1. Fixed Income Portfolio

Total fixed income portfolio comprises around 31% of the total investment portfolio at the end of the financial year 2014, of which returns 9.0% of the total income for the year. This includes fixed term deposits (both onshore & offshore), SIG Securities and Domestic loans & Bonds, see Figure 5.



**Fig 5: Asset Allocation By Returns**



Revaluation gains of \$39.6 million contributed to the total return on the Property Investment Portfolio.

*IAS 40 Paragraph 10: Some properties comprise a portion that is held to earn rental some for administrative purposes.....the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative*

### 1.1 Onshore Cash and Fixed Term Deposits

The return from the onshore cash and fixed term deposit portfolio continued to decline to \$2.89 million (0.48%) from \$4.439 million (1.0%) as compared to the previous year. Income from this category of investment assets fell by almost 50% as deposit rates offered by Commercial Banks slumped to below 1% as liquidity in the financial system dramatically increased.

### 1.2 Offshore Cash & Fixed Term Deposits

Except for the Kina which appreciated against the SBD at the end of the financial year, all the other foreign currencies depreciated against the SBD from levels reached at the end of the previous year. The largest came from the GBP - a 19% reduction. This wiped out all the income recorded from interest earned on these deposits returns below 1% as compared to 2013.

### 1.3 Government Securities

The average return on interests earned on the Solomon Island Government Securities portfolio stood at 2.0% of which 1.13% comes from the weekly investment in the Treasury bills Market and the outstanding from its Restructured Bonds. Gross return on the portfolio totalled remained the same as 2% as in 2013. There was a reduction in the total portfolio to \$66.5 million compared to \$83.9 million as government continued to consistently finance its restructured bonds during the year.

### 1.4 Loans and Bonds

The gross return on interests earned on the total domestic loans and bonds portfolio fell to 7.0% as compared to 8.00% in 2013. The highest earning portfolio came from Commercial loans & bonds (94.61%), Members housing loans (4.25%) and staff & Management loans (1.15%). However, the general decline (27.0%) was attributed to redemption of SPO bond of \$20 million and a new bond issue of \$25 million at an interest of 8% from 11%, the non-performing Tavanipupu Island Resort (TIR) loan, and Sasape International Shipyard Ltd (SISL) loan.

The fund remains to have a competitive advantage on the interests it offers on its funds lent as compared to other financial institutions, however it has not issued any new loans during the year.

This portfolio included, Staff loan scheme (1.98%), Member's Housing loan (5.02%) and Commercial loan and bonds (93.08%) with the private sector. The total portfolio declined to \$131.5 million from \$158.7 million as compared to the preceding year.

## 2. Property Investments Portfolio

The total rental return on the Fund's investment in Properties in the domestic sector declined to 12.0% (\$25.4 million) from 12.9% (\$26.2 million) in 2013. In addition to the rental, the revaluation gain on the annual revaluation on properties was \$31.4 million compared to \$9 million in 2013. Positive increases were noted in a majority of rentals and leases with a significant return coming from the 100% tenanted newly opened Hibiscus Executive Apartments, the rented Tasahe Executive Residential Properties and commercial leased offices - Anthony Saru Building, NPF Plaza, Komifera Pako Building, Town Ground Property and the SISL Base 2 Properties at Tulagi, Central Province.

At the end of the financial year, under IAS40 a significant portion of the property was moved back to IAS16. This contributed to the 6% decline in the total market value of the Property Portfolio during the year to \$259.3 million from \$276.6 million in 2013.

During the year, several major refurbishment projects and developments were overseen by the Fund. This included the new NPF Food Court adjacent to the NPF Plaza. This 16 mixed tenant court is expected to be completed in June 2015. A 12 residential housing project for the Sasape International Shipyard staff is also near completion. This will be leased to the company to house its needed technical skilled staff.

### 3. Equities Portfolio

The gross return earned from the total equities portfolio declined to 10% (\$124.2 million) as compared to 66.3% (\$785.3 million) in 2013. Attributes were flow through effects of the onshore equity revaluations which had the market value loss of around 170% on the total return on equities together with the foreign exchange loss of 17% on the UBS managed funds during the year. The net returns on the onshore and offshore equities portfolio were positive at 7% and 37% respectively. Of the total equities portfolio, 90% are onshore which contribute to 64% of the returns and 10% are located offshore which returns 36%.

#### 3.1 Domestic Equities

Return on the domestic portfolio stood at 7% (\$79.8 million) as compared to 65.6% (\$777.6 million) in 2013. These are from cash dividend of \$74.5 million from South Pacific Oil Ltd, Solomon Telekom Ltd, Heritage Park Hotel Ltd and Solomon Islands Home Finance Ltd, as compared to \$108.0 million in 2013. In addition, in line with the IAS 40, the SINPF Board approved the annual desktop valuation on all its unlisted equities that contributed to market value gain of \$5.3million. Reputable accounting firms were engaged to conduct the valuations.

#### 3.2 Offshore Equities

Returns from the offshore equity portfolio increased to 37% (\$44.3 million) as compared to 0.64% (\$7.6 million) in the preceding year. This was attributed to the strong performance of the listed BSP Kina shares and the Vanguard US & Euro Shares that added a market value gain of \$35.9 million to the portfolio. In addition, the cash dividend returns of \$5.3 million from Bank South Pacific (BSP) and UBS funds and the foreign exchange gains of \$3.2million contributed to the offshore portfolio return increase. Figure 6 depicts the movements of the share prices that contributed the positive capital gains on the offshore equity portfolio.

*June Quarter 18% Reduction in the CBSI Production Index -measures domestic activities largely driven by a significant deceleration in Gold Production*

*International Fish Price declines by 9%, on a declining trend since 2013*

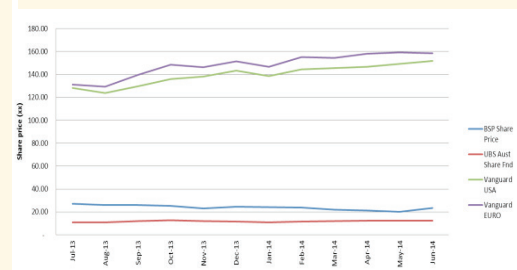
*Domestic Canned Tuna Production Decline during the Quarter ending June*



*April flash flood upward pressure on domestic inflation forecast to be temporary*

*Average appreciation of SBD against USD, PNG Kina & EUR and depreciated against AUD, GBP over the first quarter 2014.*

**Fig 6: Listed Shares and Unit Price Movement**





#### 4. New Investments

There were no significant investments made during the year however continued monitoring and management was done with a view to seek better returns, mitigating risk and more diversification. The Board approved the annual desktop valuations to be carried out on all onshore unlisted subsidiaries, and these were conducted at the end of the financial year 2014.

- New placements of fixed term deposits with commercial Banks and other financial institutions. During the year a total of \$100 million fixed term deposits were placed with domestic banks and financial institutions offering favourable interests. Addition, just under \$420 million deposits were renegotiated for new terms up to one year;
- Treasury Bills participation continued with a weekly participation of bills worth \$0.4-\$1.0 million, these are 90 and 182 days papers;
- Receipt of the \$20 million debenture repaid by South Pacific Oil in the year;
- Refurbishment of the new NPF Food Court continued during the year, completion in the first quarter of 2015;
- Construction of 12 houses in Tulagi is in progress during the year to meet demand needs by SISL. These are expected to completed in early 2015;
- 32.1% owned subsidiary (Soltuna Ltd) agreed during the year to source funding from International Finance Corporation to fund its capital and cash flow shortfalls.

**Table 10: Gross Investment Portfolio by Major Investment Asset Class for all Markets**

Major Asset Class	Gross Portfolio (SI\$ billions)	Proportion of asset to total portfolio (%)	Yr/Yr Change (%)	
	2014	2013		
Domestic cash & fixed term deposit	\$599,109,850	\$400,508,304	23	50
Offshore cash & fixed term deposit	\$161,409,522	\$150,871,702	6	7
SIG securities	\$66,500,105	\$83,950,962	3	-21
Domestic Loans & Bonds	\$131,488,514	\$138,719,335	5	-5
Property Investments	\$318,716,396	\$276,539,591	12	30
Domestic Equities	\$1,207,390,457	1,170,931,599	46	26
Offshore equities	\$118,908,351	\$119,109,461	5	-0.2
<b>TOTAL</b>	<b>\$2,603,523,195</b>	<b>\$2,340,889,991</b>	<b>100%</b>	<b>11%</b>

#### Gross Investments Portfolio

The Fund's gross investments portfolio increased by 11% during the year to \$2.60 billion a growth of around \$262.63 million on the previous year's level of \$2.34 billion. This growth is driven by strong cash flows from member contributions and investment receipts invested in new investments, annual revaluation gains on domestic commercial investment properties, improved prices in the offshore USD, EURO and Kina equity exposures, and the weaker SBD value against the Kina. See *Table 9*.

By asset class, domestic equities comprise the highest 46%, domestic cash & fixed term deposits 23%, Property Investments 12%, offshore cash & fixed term deposits 6%, domestic loans & bonds and offshore equities 5% respectively and SIG Securities 3%.

Increases in the classes are noted for domestic cash & fixed term deposits 50%, as a result of build-up in cash from contributions, property investments 30%, domestic equities 26%, offshore cash and fixed term deposits 7% whilst declines are registered for offshore cash & fixed term deposit 21%, and offshore equities 0.2%.

## Investment by Risk Category for Markets

The composition of the gross investment portfolio in terms of risk is composed at high risk, high return Investments at 51%, medium risk, medium return Investments at 17% and low risk, low return investments at 32% as at end of 2014. The Fund pursue its investments by employing risk spread strategies which aimed to mitigate any potential risks that may affect its investment assets.

An increase of around 71% was noted in the Low Risk Categories of investments to 32%. However, it is still underweight by 5% against the approved benchmark of 37%. In addition, the medium risk, medium return investments declined by 21% to 17% and underweight by 11%. The high risk, high return category of investments increased by 3% to 51% and is overweight by 16%.

## Gross Investment Portfolio by Market Sectoral Diversification & Currency

By Market, 89% are domiciled domestically in Solomon Islands and 11% of the portfolio is held offshore in various economies (US, Australia, UK, and Papua New Guinea) markets, assets and currencies.

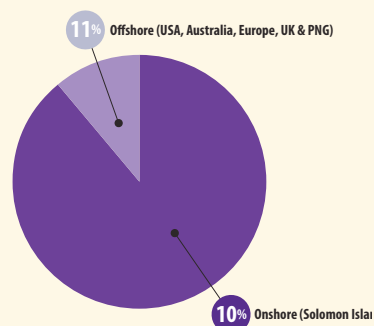
The domestic portfolio is overweight by 19% as compared to its benchmark portfolio of 70% and also 19% less for the offshore benchmark of 30%.

By currency see Figure 10, the offshore portfolio is kept AUD 30%, in USD 27%, PNG Kina 25% EUR 12%, GBP 6%, and in various currencies.

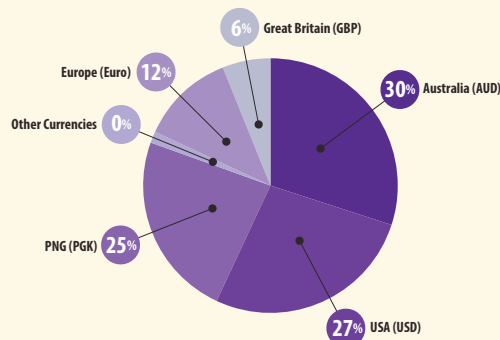
Increases in portfolio were noted for all currencies that have fixed term deposits as maturing deposits are being rolled for shorter terms. The Kina portfolio will continue to increase as BSP share dividends are continued to be reinvested in ANZ, PNG Fixed Term Deposit.

By sector, see Figure 9 the portfolio is diversified into Energy (54%) this is the investment in South Pacific Oil Ltd which is 100% owned and remains the high performing domestic investment, 32% is in Telecommunication (Solomon Telekom Ltd & Solomon Oceanic Cables, 10% in Financial Services (Commercial banks, SI Home Finance and others), 2% in Manufacturing (Soltuna), & Tourism & Hospitality (Heritage Park Hotel & Tavanipupu Island Resort) and Shipping (SISL).

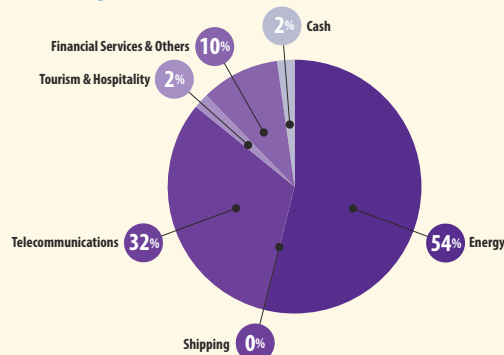
**Fig 7: Gross Portfolio by Market**



**Fig 8: Composition of Gross Portfolio By Market Currency**



**Fig 9: Composition of Gross Portfolio By Sector Diversification**





**Table 11: Gross Portfolio by Major Risk Category (All Markets)**

Major Risk Category	2014 (billions)	2013 (billions)	2014 (%)	2013 (%)	Benchmark Guideline (%)	Deviation (%)
Low Risk/Low Return	\$827,019,477	\$484,718,303	32	21	37	-5
Medium Risk/Medium Return	\$450,204,910	\$566,130,628	17	24	28	-11
High Risk/High Return	\$1,326,298,808	\$1,290,041,060	51	55	35	16
<b>TOTAL</b>	<b>\$2,603,523,195</b>	<b>\$2,340,889,991</b>	<b>100</b>	<b>100</b>		

*SINPF's executive apartment complex in Point Cruz, Honiara.*



## Property Development & Management

The Property Development and Management of the Fund's Property Investments continues to be a challenge during the year for the Property Department as plans for its merger under the Investment Department end of 2014 progresses. This restructure activity was approved by the Board and is expected to be implemented by end of 2014. The objective is to ensure the efficient and effective management of its commercial properties and also the returns are maximised, standards maintained to suit client's needs and at all times preserving and enhancing the value of its properties.

### PROPERTY INVESTMENTS

Under the Property investment portfolio, the total market value of the commercial properties declined by 6% to \$259.7million as compared to \$262.7million in the preceding year as the Fund adopts the IAS16 Rule.

The Fund has 12 commercial properties which are commercial let buildings, executive residential leased accommodation and apartment and vacant land. The commercial Properties are located in the city which included the Anthony Saru Building, NPF Plaza, Komifera Pako Building, Town Ground Building and the NPF Building. The newly leased 100% tenanted Hibiscus Apartments is also in the heart of the city. Other residential leased accommodations include the four executive houses at Tasahe, Management House at Tulagi and the commercial property (Base 2 Tulagi). The vacant property for development includes: the Lengkiki and Rautamana land.

With the continuing growth of the Human Resources and needs of the Fund, two properties were taken off the commercial list of properties, this included the NPF Head office and the NPF Car Park which hosts most of the offices and vehicles of the Fund. Furthermore, the Fund continued with construction of the twelve residential houses at Tulagi to meet the housing needs of SISL. The company will lease the properties once completed. Other refurbishment upgrades continued during the year, with the near completion of the NPF Food Courts. These two projects will expect to expand the portfolio further in 2015.



*SINPF's newly refurbished investment property, the SINPF Food Court in Point Cruz, Honiara.*



### Staff Accommodation

The Fund manages residential properties for the staff both in Honiara and Provinces i.e. Auki and Gizo. The Fund continues to provide the housing needs for its staff through construction of two additional three bedroom houses at Tasahe Housing Estate during the year.

### Maintenance of Properties

Refurbishment work was undertaken on Auki and Gizo Management residences and Tasahe Staff Residences during the financial year. Continuous minor repairs and maintenance were undertaken on commercial and residential properties when defects were reported or identified. Refurbishments started towards the end of the year on Tasahe Executive residential let properties. The defects vary from Electrical, Plumbing, air-conditioning and carpentry. Most of the major maintenance works is outsourced to reputable vendors according to the Board approved Outsourcing Policy.

### Outsourcing of Services

The Fund continues to outsource some of its services to external contractors in line with its Outsourcing Policy. The services rendered by external contractors including: internal cleaning of commercial buildings, landscaping of garden flowers, garbage collection, security personnel, provision of office flowers, maintenance of lifts and generation and air-conditioning.



*Senior Property Officer Eddie Waahero at the new SINPF Food Court.*

## Operations



*Operations Manager Aluta Kakadi, centre, with the Operations team.*

The Operations Department is focused on effective and efficient delivery of services to Employers and Members, and ensures that Employers meet their statutory obligations to the Fund.

Employer Services is one of the core functions which deals with: informing employers to exercise their obligations to pay employees' contributions and surcharge fees, verification of Form "A"s/EDIs, postings Form "A"s/EDIs, reconciling employers, members contribution accounts and employers surcharge accounts, clearance of members' unidentified contribution accounts, publication of members' UDA accounts and enforcing compliance to meet statutory obligations by employers.

Member Services deals with contributing members of the Fund pertinent to customer services, processing and paying members' benefits, registration of new members and employers, managing members and employers' database and processing of members' 2/3 rd pledges as security against micro-loan credit facilities with prescribed banks.

### Customer services

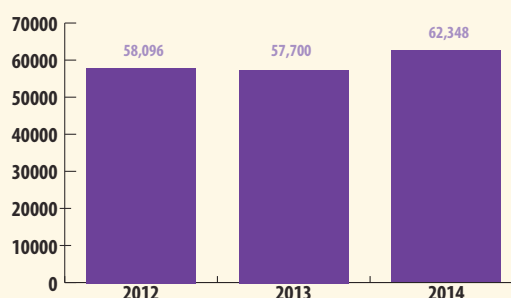
During the year 62,348 customers were served, an increase of 8% compared to 57,700 for the same period last year. Service provided include withdrawals of member contribution, registrations, checking on contribution balances and 2/3rd contribution pledges mortgaged against micro-credits from prescribed

banks. *Figure 10* shows the increase in customers served as a result of requests for 2/3rd pledges for loan applications with the new Pan Oceanic Bank.

### Registration of Members

During the financial year 2014, the Fund registered 7,454 new members compared to 5,401 last year, an increase of 38%. The main driver has been the increase in created by the building/construction and mineral industries. The increase in employment in the year regained the employment lost in the past three years due to reduction in the domestic logging sector.

**Fig 10: General Enquiries**







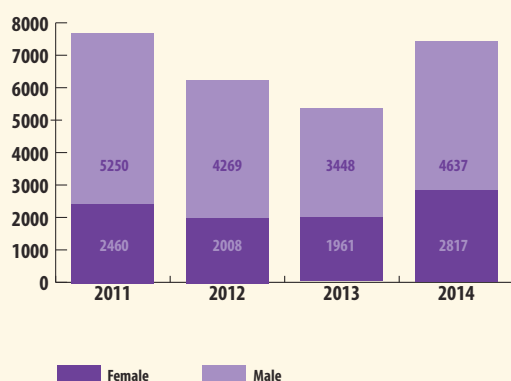
*SINPF's new modern customer care centre which was opened in May 2014.*

**Table 12: Annual registration of new members**

2011	2012	2013	2014
7122	5928	5401	7454

Male membership continues to dominate the Fund's membership accounting for 62% of the total registrations while female membership represents 38%.

**Fig 11: Composition of Male/Female Members**



### Accumulated Membership

Total registered members with the Fund at end of the year reached 173,286 compared to 166,000 recorded last year. The membership continues to increase on sustainable growth trend in recent years until now. This is in response to an increase in employment activities during the year. Out of the total membership, there are 116,946 members with credit balances while 56,340 have withdrawn their contribution savings with zero balances. It is envisaged that membership will continue to sustain continuous growth into the future if the potential investment opportunities in the local economy are fully utilized and maximized.

Pertaining to active and non-active membership with the Fund, there are 53,584 active members while non-active members reached 63,362. As at 30 June 2014, the total members with credit balances increased by 5%.

On active members, there were gradual increases over the years. This year, there is an increase by 6.7% from last year figure. There is an increase of 3.8% in respect of the non-active members as depicted



**Table 13: Membership with Contribution Balances**

FY	Total Registered Members	Members with Credit Balance	Active Members with Balance	Non-Active Members with Balance	Members Balance (\$'000,000)
2012	157,902	102,137	44,072	58,065	1,292.30
2013	166,000	110,952	50,000	60,950	1,650.00
2014	173,286	116,946	53,584	63,362	2,020.90

Note:

- Active SINPF Member refers to person who has at least one contribution paid during the current financial year.
- Non-active member is member who have left employment or may still be in employment but contribution not paid to the Fund for 12 months or more.

### Members' Financial Contributions

Over the past three years Fund membership grew by an average of 6%, which corresponded with the substantial increase in members savings. Another attribute to the annual growth of members' contributions was the high financial interests declared by the Board and credited to members' accounts. This led to the members' total contribution savings reaching \$2.02 billion at end of the financial year compared to \$1.65 billion last year, an increase by 22% which reflects annual sustainable growth of members' funds being held as indicated in *Table 13*.

**Table 14: Membership and Contribution Savings**

FINANCIAL YEAR	TOTAL MEMBERS WITH BALANCES	GROWTH %	TOTAL MEMBERS BALANCES (\$'000,000)	GROWTH %
2012	102,137	4%	\$1,292.30	17%
2013	110,952	9%	\$1,650.00	28%
2014	116,946	5%	\$2,020.90	22%

### Membership & Savings by Age Groups

The membership of the Fund includes: employees ranging from 14 years old to 60 years old and above. They are either active or non-active members. Pertaining to active, there are 53,584 members and this is 45.8% of the total membership. On the non-active side, there are 63,362 members which represent 54.2% of the total membership.

On the contribution savings, the active members hold 86% of the total savings being held by the Fund while the non-active members represent 13.9%.

The age group 41 – 45 years old holds the majority of the total contribution savings followed by age group 36 – 40 years old and age group 46 – 50 years old. These age groups hold nearly 63% of the total contribution savings as shown in *Table 15*.

**Table 15: Membership & Contribution Savings by Age Groups**

Age Group	Active	Non Active	Active Status	Non Active Status	Total M/Ship	Total Value (\$m)
<=20	799	185	1.2	0.2	984	1.4
21-25	4968	2088	19.8	3.6	7056	23.4
26-30	9932	6205	121.8	18.9	16137	140.7
31-35	10661	11862	256.3	44.1	22523	300.4
36-40	8558	10810	354.2	55.7	19368	409.9
41-45	6847	10618	402.1	66.8	17465	468.9
46-50	5259	7071	360.9	37.1	12330	398
51-55	3157	5831	124.3	23.4	8988	147.7
56-60	1884	4047	62.6	15.2	5931	77.8
61 plus	1519	4645	37.3	15.5	6164	52.8
<b>Total</b>	<b>53,584</b>	<b>63,362</b>	<b>1740.44</b>	<b>280.5</b>	<b>116946</b>	<b>2020.9</b>

#### Age Groups by Gender

The total membership of the Fund to-date comprises of males and females. The male employees continue to dominate membership. This represents 70% of the total membership at end of the year while female employees represent 30%.

Pertaining to contribution savings by gender, the male memberships continue to hold 71% of the total contributions while female employees hold 29% as shown in *Table 16*.

**Table 16: Age Group by Gender and Contribution Savings**

Age Group	Male Count	Female Count	Total Count	M/ship %	Male Count Value	Female Count Value	Total Count Value	Value %
<=20	515	469	984	1%	0.77	0.62	1.4	0%
21-25	4013	3043	7056	6%	13.14	10.3	23.4	1%
26-30	10184	5953	16137	14%	83.35	57.3	140.7	7%
31-35	15717	6806	22523	19%	192.2	108.14	300.3	15%
36-40	13207	6161	19368	17%	281.29	128.53	409.8	20%
41-45	12354	5111	17465	15%	332.42	136.51	468.9	23%
46-50	9022	3308	12330	11%	295.36	102.71	398.1	20%
51-55	7072	1916	8988	8%	120.01	27.73	147.7	7%
56-60	4734	1197	5931	5%	62.03	15.73	77.8	4%
60 Plus	5083	1081	6164	5%	45.14	7.66	52.8	3%
<b>Totals</b>	<b>81901</b>	<b>35045</b>	<b>116946</b>	<b>100%</b>	<b>1,425.71</b>	<b>595.23</b>	<b>2,020.90</b>	<b>100%</b>

### Members' Withdrawal Grounds

There are six prescribed withdrawal grounds for members to withdraw their savings from the Fund. These are;

1. Normal retirement at the age 50 years.
2. Death - nominees claim the deceased member's contribution savings.
3. Medical - physically and mentally incapacitated from further employment.
4. Migrating – non-citizen and Solomon Islands citizen migrating from Solomon Islands permanently.
5. Redundancy - member made redundant or unfairly dismissed from employment.
6. Early retirement - member is 40 years plus and retired from employment.

Besides normal withdrawal grounds, there is another means which allow a member to withdraw contribution savings from the Fund. A member may apply to the Minister of Finance under Section 50 of the NPF Act to withdraw his/her contribution savings under exemption but this has to be done in consultation with the NPF Board.

Pertinent to withdrawal grounds, a total of \$116.7 million was paid to members compared to \$87.4 million in last year. The main cause of the increase is the closure of Gold Ridge Mine in Central Guadalcanal as a result of 2014 April flash floods. These withdrawals of contribution savings are inclusive of: contributions, withdrawal interest and special death benefits (SDB), in the case of the deceased members as shown in *Figure 12*.

The normal retirement category continues to be the main withdrawal ground which represents 65% of the total withdrawal value. This is followed by redundancy withdrawal ground as a result of Gold Ridge Mine closure. The least withdrawal grounds include: early retirement and exemption which is exercised under the regulatory powers vested with the Hon. Minister of Finance & Treasury. Withdrawals are outlined in *Table 17*.

**Table 17: Withdrawal Grounds and Values**

Category of Withdrawal	No of Withdrawals	%	Withdrawal Value (\$'000,000)	%
Normal Retirement	1512	47%	75.79	65%
Death	175	5%	5.9	5%
Medical	96	3%	4.1	4%
Migration	141	4%	11.17	10%
Redundancy	750	24%	8.06	7%
Early Retirement	21	1%	2.19	2%
Lenders Claim	415	13%	6.75	6%
Exemption	43	1%	2.64	2%
UDA	32	1%	0.08	0%
Total	3185	100%	116.7	100%

### Indirect Withdrawals

Besides the prescribed withdrawal grounds, the SINPF Act does provide other legal avenues for members to have access to their savings. These indirect withdrawals include:

#### (a) Lenders' Claims

The Solomon Islands National Provident Fund Act provides opportunity for member to use 2/3rd of total contribution balance for personal credit facility with the prescribed financial institutions under the Financial Institutions Act being administered by Central Bank of Solomon Islands. A total of 3,794 members had pledged 2/3rd of their contribution savings during the year.

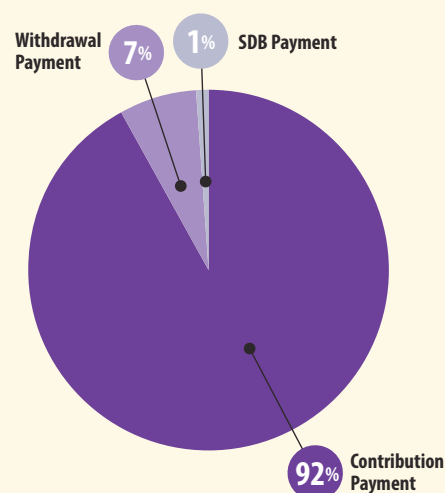


Having established this opportunity for members, the law permits the Lender (financial institution) to claim the member's 2/3rd contribution pledge if the member has defaulted in meeting loan commitment and thus incur continuous arrears for six months or more. In year 2014, a total of 415 members defaulted with loan repayments. This resulted in the lenders to demand payments of 2/3rd contribution pledge from the Fund to realize loan recoveries. A total of \$6.75 million was paid to the lenders - an increase by 36% compared to \$5 million last year.

During the year, a total of 9,160 members pledged \$288.56 million of their contribution savings against credit facilities with the commercial banks and other financial institutions. This is a decrease of 11% from \$325 million last year as a result of members performing their loan commitments with respective financial institutions.

Bank of South Pacific holds 75% of the total accumulated value mortgaged through 2/3 contribution pledge, followed by Westpac Bank Corporation with 21% as shown in *Table 18*. The two banks maintained their lead in providing the 2/3rd pledges for members who secured credit loan facilities.

**Fig 12: Withdrawal Payment/Interest/SDB in %**



**Table 18: Members' 2/3rd Contribution Pledge by Lenders**

LENDERS	2014 Financial Year				As at 30th June 2014			
	Value (\$000,000)	%	Count	%	Value (\$000,000)	%	Count	%
POB	0	0%	2	0%	0	0%	2	0%
ANZ	0.9	1%	26	1%	6.4	2%	275	3%
BSP	105	71%	2981	79%	216.6	75%	7323	80%
DBSI	0	0%	2	0%	0.3	0%	43	0%
CCORP	0.5	0%	9	0%	0.6	0%	12	0%
SINPF	1.3	1%	56	1%	3.7	1%	238	3%
WBC	38.9	26%	716	19%	60.8	21%	1257	14%
HFC	0.4	0%	2	0%	0.1	0%	10	0%
<b>Total</b>	<b>147</b>	<b>100%</b>	<b>3794</b>	<b>100%</b>	<b>288.6</b>	<b>100%</b>	<b>9160</b>	<b>100%</b>

(b) Withdrawal Exemptions

Pertaining to withdrawal under exemptions, the Minister of Finance has the power to exempt a member not qualified to withdraw savings under the prescribed six withdrawal grounds. In year 2014, a total of 43 members were granted exemption to withdraw their savings. The withdrawn value amount was \$2.64 million, a decrease of 13% compared to \$3 million for the same period last year.

### (c) Unclaimed Deposits (60 years & over)

Member who has credit account balance at age of 50 years but has not contributed to the account for 10 years after turning 50 will have the credit balance transferred to the Unclaimed Deposit Account (UDA). This credit account will remain in the UDA for five years and if not claimed within the five years, then the credit account will be transferred to General Reserves in the Balance Sheet of the Fund. This occurs after public notices published in the newspapers and other available electronic media, for members or beneficiaries to submit claims to withdraw. In the year, a public notice was issued to the media and 32 members and/or beneficiaries had submitted claims valued at \$78,130.

At end of the financial year, the Fund has 2,666 members in the Unclaimed Deposit Account with the total value of \$3.3 million. This account is growing annually and the Fund is committed to ensure the concerned members or beneficiaries withdraw their contribution savings under the UDA prior to transfer to General Reserve. This is an ongoing challenge for the Fund to ensure all contributing members withdraw their contribution savings from the Fund.

### Special Death Benefits (SDB)

It is a legal requirement to deduct \$5.00 from each member's account at 30th June each year in respect of special death benefit (SDB). This pool of fund is designed to pay the beneficiaries of deceased members. The maximum sum payable, approved by the Board is \$10,000 and this is paid to the beneficiaries of a deceased member. At the end of the financial year 2014, a total of \$1,659,880 was paid out to the beneficiaries of the deceased members - an increase of 133% compared to \$709,540 in 2013. Total Special Death Benefit Reserves at the end of the financial year stands at \$1,043,540.

### Employers

In 2014, active employers totalled 2,176 compared to 2,327 in 2013 – a reduction by 6.5%. A slight reduction of employers was experienced since year 2012 even though new employers registered during the years. The positive growth of employers will be enhanced if the domestic economy is at robust level utilizing commercial opportunities available for genuine investors.

On distribution of active employers by provinces, Honiara City Council continues to dominate number of employers by 53% followed by Malaita and Western Provinces. The least number of employers is recorded in Renbel Province.

Note:

- Active employers represent employers who paid NPF contributions in the current financial year.
- Slow- active, In-active and dormant employers represent employers not paid NPF contributions for 12 months and more.

### Contribution Receipts and Withdrawals

Contribution receipts for the financial year totalled \$226.6 million - an increase by 10% from the previous year's receipt of \$206 million. In the past five years, the contribution receipts had experienced gradual increases as result of new membership and positive commitments from employers to meet their legal requirements. On the other hand, the net contributions (contribution receipts less withdrawals) was decreased by 9% due to more members now reaching retirement age thus they are

Fig 13: Employer Operating Status

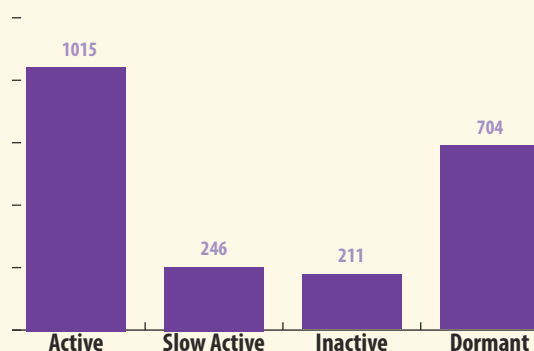
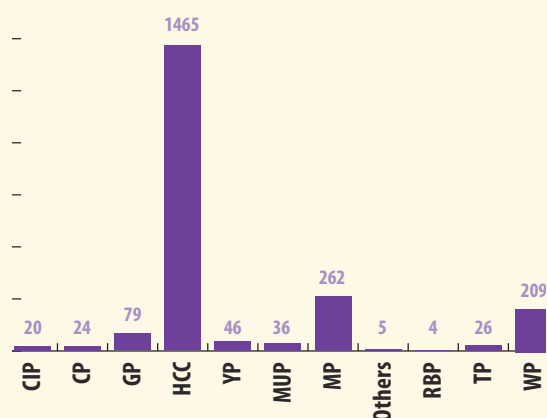


Fig 14: Employers Distribution by Province



eligible to withdraw their savings as shown in *Table 19*. Another contributing factor to high withdrawals of contributing savings during the year was primarily due the closure of Gold Ridge Mine on Guadalcanal.

The net contribution value is usually available for the Board to pursue viable investments to deliver adequate returns and positive growth to members' savings for retirement.

**Table 19: Contribution receipts, withdrawals and net contributions**

	2010	2011	2012	2013	2014
<b>Contribution Receipts</b>	\$139	\$162	\$191	\$206	\$226.60
<b>Contribution Withdrawals</b>	\$68	\$79	\$71	\$87	\$117.00
<b>Net Contributions</b>	\$71	\$83	\$120	\$119	\$109.60

### Members' Unidentified Contributions

The members' Unidentified Contributions are contributions that employers paid to the Fund in respect to their employees but the Fund is unable to deposit the into a members' accounts due to lack of information supplied by the employer. This is usually because an employee has not registered with the Fund. This concern is an ongoing challenge for the Fund. However, the Fund is committed to minimizing the number of employees not registered with the Fund by identifying and establishing positive cooperation with employers and employees through regular visitations and consultations.

In 2014, the new unidentified contributions posted to the Suspense Account reached \$11.2 million while the total unidentified contributions transferred or credited to the identified members' contribution accounts amount to \$10.7 million. The balance for member's unidentified contributions account as at 30 June 2014 stood at \$10.9 million.

### Contribution (Creditors) Excess

At end of financial year, the accumulated excess contribution had reduced to \$15.9 million compared to \$33.4 in 2013, a reduction of 52%. This is major achievement due to the commitment and cooperation exercised by both the Fund and employers.

### Contribution (Debtors) Underpayment

Unpaid contribution totalled \$2.01 million compared to \$2.1 million last year 2013, a reduction of 5%. The Fund is endeavouring to pursue smarter ways of compliance to ensure employers do pay contribution arrears. A total of \$600,000 for ceased employers was reconciled for write off as result of business enterprises no longer in operations (ceased operations) in the country.

**Table 20: Inspectors - Activities and Achievements**

Particulars	Honiara Region		Provincial Regions	
	Amounts	No of cases	Amounts	No of cases
<b>Contribution Recovered</b>	\$11,303,078	2588	\$2,070,063	104
<b>Surcharge Recovered</b>	\$1,114,060	2214	\$533,276	150
<b>Other Receipts</b>	\$63,324	0	24,385	0
<b>Total Receipts</b>	\$12,480,462	4802	\$2,627,724	254
<b>Unidentified Clearance</b>	\$280,991	204	3,034	14



	Honiara Region		Provincial Regions	
Form "A" Collections	3,395,808	390	1,655,503	733
Cases for Prosecution	2,238,628	31		4
Member Registration		334		207
Employer Registration				22
Employers/Members Seminars				12

### Provincial Branch Offices

The Fund still maintains its two provincial offices in Auki, Malaita Province and Gizo in the Western Province. The total contribution funds received through the provincial offices reached \$5.46 million, an increase of 35% compared to \$4million last year. Pertaining to members' withdrawals, the provincial branches facilitated nearly \$5 million. Total surcharges collected reached \$319,452 - a decrease by 15% compared to \$375,166 in 2013. The total withdrawal payments stood at \$4.96 million, an increase of 28% as compared to \$3.86 million last year. In this connection, the Branch Offices have collected 2% of the Fund's total contribution receipts and 8% of the surcharge fees as shown in *Table 21*.

**Table 21: Collections of contribution/surcharges and withdrawals**

	NPF Auki Office	NPF Gizo Office	Total 2014	Total 2013	Movement
Customer Enquiries (count)	7,155	5,280	12,435	12,709	-2%
New Employers Registration	23	39	62	47	32%
New Members Registration	174	196	370	310	19%
Nominees Registration	120	55	175	-	0%
Members 2/3rd Pledge	370	236	606	-	0%
Contribution Receipts (\$)	2,228,747.53	3,233,339.97	5,462,087.50	4,040,792.53	35%
Surcharge Receipts (\$)	868	318,583.75	319,451.75	375,164.77	-15%
Other Receipts (\$)	24,385.40	35,624.20	60,009.60	137,601.04	-56%
Withdrawal Payments (\$)	2,290,672.58	2,676,657.52	4,967,330.10	3,868,947.62	28%
Operating Expense (\$)	274,349.67	354,784.03	629,133.70	399,716.82	57%

## Internal Audit

Internal Audit functions are a crucial part of the Fund's overall operations as an organisation pertaining to internal management and risk control. It performs audit assurance with the following purpose:

- Provides independent, objective assurance and consulting services designed to add value and improve business operations.
- Assists the Board to accomplish its goals to: preserve, protect and continuously sustain growth to members' contribution wealth, contribute to economic growth of Solomon Islands and strictly adhere to good corporate governance principles by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and processes.

In realizing the above, the Internal Audit adopted a contemporary internal audit approach principally focusing on risk-based methodology. Built on this approach, the internal audit scopes during the financial year are:

### Compliance and performance reviews

Under compliance and performance reviews undertaken, the Internal Audit accomplished audits on these main areas:

(i) Risk management, internal controls and governance.

- Members' Contributions
- Tenant Rental Leases
- Procurements of Goods & Services
- Fixed Assets
- Construction projects
- Repairs and Maintenance of properties
- Spot-checks on cash related items.

(ii) Branch tours.

- Branch Offices – Gizo and Auki



SINPF's outreach team during the 2014 Financial Inclusion Week at the Art Gallery in Honiara.

### **Assessment of members' withdrawal applications**

To enhance and improve the internal controls within the members' benefit cycle, the internal audit continues to provide elements of comfort and assurance to Management and Board that the approved members' contribution withdrawal applications were authentic, complete and accurate in terms of documentation, process and computation of entitlements.

During the financial year, no major issue were encountered within the members' benefits process that warrant Management and Board's attention. Members' contributions withdrawal applications and payment deliveries had been administered and facilitated appropriately to the rightful recipients in accordance to governing legislation and applicable in-house policies.

### **Monitoring and supervision**

The internal audit scope under the monitoring and supervision functions and responsibility involves regular reviews on implementation of recommendations to address a range of issues emphasized by both the independent external auditors and regulator – Central Bank Solomon Islands. Developments on matters raised from the external independent reviewers are revealed as follows:

#### **(i) External auditors Management Letter Points**

The review of issues noted significant improvements on Management's implementation of the necessary actions recommended. This leaves other minor issues being undertaken as ongoing into the subsequent periods as they require inputs from other external stakeholders.

#### **(ii) Prudential Issues**

In 2013, Central Bank of Solomon Islands (CBSI) had conducted an onsite prudential review on investment asset portfolios. Concern issues were identified and raised with Management and Board. At year end, the internal audit examined the status of the issues and noted substantial achievements i.e. more than 50% of recommendations implementation leaving only few still outstanding to be resolved in the following financial year. These include; the development of frameworks and policies to mitigate and effectively manage potential risks in the organisation.

### **Logistic support to Audit and Risk Sub-board Committee**

Besides the delegated responsibilities, the internal audit is mandated to provide logistic support to the Board's Sub-board committee - Audit and Risk Management Committee (ARMC). In this regard, the subcommittee convened three meetings. At these meetings, the issues on financials, audit updates on Management Letter points and CBSI Prudential review were discussed and strategic actions identified, endorsed and implemented.

Moreover, the subcommittee had deliberated and recommended the adoption of IFRS 10 – Investment Entity - exception to consolidation, thus led to the implementation of annual desktop fair valuation of the Fund's unlisted equity investments resulting in the fair values passed through SINPF Profit and Loss Statements. This exercise will continue to be sustained in years ahead.

### **Professional Developments**

Besides pursuing internal audit functions, the internal auditors had carried out other responsibilities as required. These additional responsibilities provided an excellent opportunity for the internal auditors to gain further familiarity and understanding through performance of these types of hands-on experiences and exposures. From the value added knowledge and skills developed from the walk-through involvements, the auditors also established affiliations with local internal auditors and accountants' associations/institutions to realize professional developments through sharing of ideas and information through organized trainings and information nights.



# Information Communication Technology

The Information Technology Department continues with its commitment to search and innovate to identify appropriate technology to improve members' service delivery, with adopting a suitable technology. Whilst doing this exercise, it is mindful of attaining an optimum cost benefit. This is an ongoing exercise as technology changes, the department aims to ensure the overall operations of the Fund are effective, efficient and meet the demand.

A five year project plan 2014–2018 for information technology systems was developed and part of the plan was implemented during the year. Reducing the Fund's overall operational costs have been pursued through up-skilling programs and replacement plans including: upgrading of systems and equipment before reaching their end of business worth. Further cost reductions were realized by utilizing the in-house IT personnel to develop required projects.

## Highlights

One major achievement is the real-time system generated notification of members' updated balances via member's registered e-mail when contributions updated into respective Members Accounts. This ensures the Fund improves its services by providing timely information to the contributing members and thus allows time to attend to other matters. Further realization is through quarterly e-newsletters distribution to clients and stakeholders via e-distribution list. The strategy utilized is an outreach avenue to have members informed, including having knowledge on the latest development within the Fund.

Emphasis is being placed on improving online services through digitizing withdrawals, registration forms and other informational pamphlets. In addition, work is progressing to redesign the Fund's website to make it more informative and user-friendly. This is envisaged to be launched in the coming year.

## Upgrading of Systems and Equipment

With the Microsoft announcement of ceasing of support to Window XP this year, all workstations been upgraded to Windows 7 and Microsoft Office 2010 through replacement of 38 workstations. Nine new PCs were setup at the New Customer Service area and others were used for normal computer replacement. A Mac Machine was procured in preparation for the Fund to design its own pamphlets and graphics design related materials.

Three Network printers were procured to replace Administration, Investment & Finance (Cashier) printers and a



*SINPF's Systems Network Administrator, Mariselo Asupeu updates SINPF's new server.*

copier machine delivered to Auki branch, Malaita Province. Aging switches were made redundant, replaced and upgraded with CISCO managed switches and Electro board for Training room.

### **Identification cards**

During the year, all Head Office personnel were issued with photo ID cards designed and printed in-house. Member photo ID card for members is currently in progress for implementation and new members should be issued with new cards in 2015.

### **Upgrades and business improvement**

Most functions and modules of the customized members Contribution System Application (NPF 2000) had been upgraded to Provident Fund Management system (PFMS). Business improvements to the Provident Fund Management System also incorporating a document management system to improve workflow, file progressive tracking, including monitoring of processed transactions and staff performance. Other business improvements are currently in progress, including the decentralization of branch processing to online and mobile text balances.

### **Management and Energy Monitoring Systems**

A Legal Case Management System was developed in-house for the Legal Department. This database was designed to help the legal team to electronically store, manage and monitor the Fund's legal case data which are tediously manually recorded over the years.

Property Department and G-Energy Monitoring were assisted by establishing a wireless bridge linking Anthony Saru building and NPF building. The link enables the Property Department to monitor real-time energy usage and efficiency at Anthony Saru Building.

### **Support services to members**

One major facelift to NPF Office is the new customer service counter area now being utilized by contributing members. The IT personnel were able to expand the LAN to the newly renovated customer service.

The IT department continues to administer, maintain and support the current operations and performance of Fund systems to ensure that all software and systems are updated regularly and are licensed. Systems which include: all the Information Management Systems, anti-virus, network monitoring system, data backup plans, helpdesk and network support administration, in-house training, and IT capex and service support procurement.

### **Human Resource Capacity Building**

The IT personnel undertook training programs to be better equipped to provide backup support to the operations of the Fund. These include:

- A Meridian Trainer delivered trainings to HR (Admin), Payroll (Finance) and IT staff;
- The PFMS developer went through with Operations, Finance & IT staff on operational and financial reports used to interface with financial system;
- On-the-job training conducted by Developer of PFMS system after completion of each of the modules of the system. Formal class training will be arranged in the New Year;
- Systems Analyst carried out in-house training to staff on basic level MS Excel Spread sheet 2010;
- Manager IT and Assistant Manager IT had consultations with Nasfund, Papua New Guinea to acquire necessary knowledge on how Nasfund tackles issues being experienced by SINPF. This has provided a lot of IT information which led to drawing up projects and strategic plans.



## Legal Services

The Legal Services is tasked with the responsibility of providing general legal advice and opinions to the Board and Management through both the in-house and external counsels on issues ranging from prosecution (both civil and criminal), civil litigation, drafting and vetting of commercial agreements and corporate conveyance. The external legal counsels have been engaged only on specific legal tasks involving complex legal commercial matters which require overseas counsels at times with support from the in-house counsels.

### Loan defaults

The Fund has an investment policy which provides for the prosecution of any borrowers who have defaulted on their loans and whose arrears are accrued for more than three months. The legal counsels are tasked with the duty to prosecute in order for the Board to comply with that investment policy.

During the period, there were 43 default housing loan cases prosecuted. All prosecution of defaulted Borrowers was handled by the In-house counsels and the outcomes were encouraging. Six legal cases were fully extinguished by members while 22 member clients cleared their arrears and are current with loan accounts. Fifteen cases are still pending different stages before the Courts. There are 19 member clients who have existing court orders against them but were given time to pursue loan repayment in installments. Out of the 19 court orders, four clients fully settled their loans, eight are currently with loan repayment schedules and seven are in arrears again with installment payments.

### Tenant Defaults

Regarding the lease rentals, there were no rental arrears cases prosecuted during the year. It reflects positive commitment exercised by the tenants.

### Employer Defaulters

Majority of employers are made aware of their statutory obligation and fully committed to their obligations in paying members' contributions. Thus, they are current with their contribution payments to the Fund. However, during this period there are 92 cases prosecuted, and some of these cases are continuations from the previous



*SINPF's Legal Counsel Ishmael Kako at the High Court.*



years. It is pleasing to note that 26 cases were fully settled by employers. Twenty-five cases are with Enforcement Orders with the Sheriff of the High Court; 35 cases are pending before the Court at different stages and six are under installment repayments.

It is also pleasing to note that upon receiving consent orders, some employers have promptly settled contribution arrears with the Fund, whilst others have made upfront payments when served with Court proceedings to extinguish outstanding arrears. On the contrary, there are employers who purposely refused to comply with their statutory obligations resulting in cases pending before the Courts while some are issued with enforcement orders. These legal cases were handled by in-house counsels and no cases outsourced to external legal counsels.

### **Provision of Legal Advice**

Apart from court work, the legal counsels provided legal advice to the Board and Management on general statutory operational aspects of the Fund from time to time, particularly the Operations, Finance and Investment Departments which directly handled contribution receipts, members' withdrawals and investments. The advices are to safe guard the policy guidelines and implementation processes to be consistent with the SINPF Act and other statutes.

The legal counsels were also responsible for soliciting employers to comply with the requirements of the SINPF Act. In addition, the counsels were involved in vetting, drafting and negotiating contracts between the Board and service providers in the investment projects implemented and property projects which are about to be implemented.

### **Proceedings against the Board**

During the period, there were two cases filed against the Board. Firstly, there is JAP Holdings Ltd –v- SINPF Board Civil case 52 of 2007. The matters relate to JAP as a former tenant of the Board. The matter is still at the pleading stages. The second matter against the Board is Gegeu & others –v- SINPF Board civil case 157 of 2013. This case involves the former tenants of the leaf huts that were demolished following the recommendations from Honiara City Council Environmental Health Division report on the condition of the leaf huts. In view of the recommendation, the Fund has no option but to comply.

## Human Resources & Corporate Services

The administration sector of the Fund underwent an organisational restructure in 2013. The restructure identified a clear demarcation of administration and human resources development functions, to avoid duplication. The restructure was implemented in 2013.

### Human Resources Development

The Fund continues to enhance its human resources' capacity and capability to be better equipped to meet future challenges. In this connection, the short-term and long-term trainings were provided to staff. Pertaining to academic trainings of staff, four were enrolled in Diploma in Business Finance and Business Administration at the Solomon Islands National University. Two staff members are currently pursuing a bachelor's degree in commerce at the University of the South Pacific and one staff member is undertaking a Bachelor's degree in journalism at the East West Centre University, Hawaii.

Appropriate overseas short term trainings aimed at enhancing the management team and staff were utilized during the year:

- Executive Assistant Secretary attended a two days training on Professional Skills for Personal Assistants, Australian Institute of Management (AIM) in Brisbane, Australia.
- The Fund's Nursing Officer attended training on Reproductive Health in Apia, Samoa.
- Assistant Manager Operations (Employers Services) attended a two days training on Building Inspirational Teams at AIM in Brisbane, Australia.
- Deputy General Manager attended two days on Enterprise Risk Management in Port Moresby, PNG.
- Two Property Officers had one week attachments with NASFUND and Credit Corp in Port Moresby, PNG.
- Assistant Legal Counsel attended 2 days Legislative Drafting Workshop in Suva, Fiji.
- Senior Corporate Services Officer attended one day training on Project Management and 2 days' of Supply Chain Management at AIM, in Brisbane, Australia.



*Human Resources & Corporate Services Manager Alfred Sare, centre, and the HRCS team.*



- Two local short term trainings were undertaken by Staff and these included:
  - Manager Human Resources & Corporate Services and two other staff attended 2 days on Basic Counselling,
  - Three Assistant Managers and three senior staff attended 2 days training on Change Management, and
- Nine staff from Finance and Human Resource & Corporate Services Departments attended 5 days training on payroll, facilitated by Trainer from Meridian (Australia).

### Human Resources

Total staff employed by the Board during the financial year reached 116. One staff retired and one other staff resigned. Eleven new staff recruited during the year to fill human resource gaps within the overall organisation. Staff turnover within the Fund is consistently very minimal.

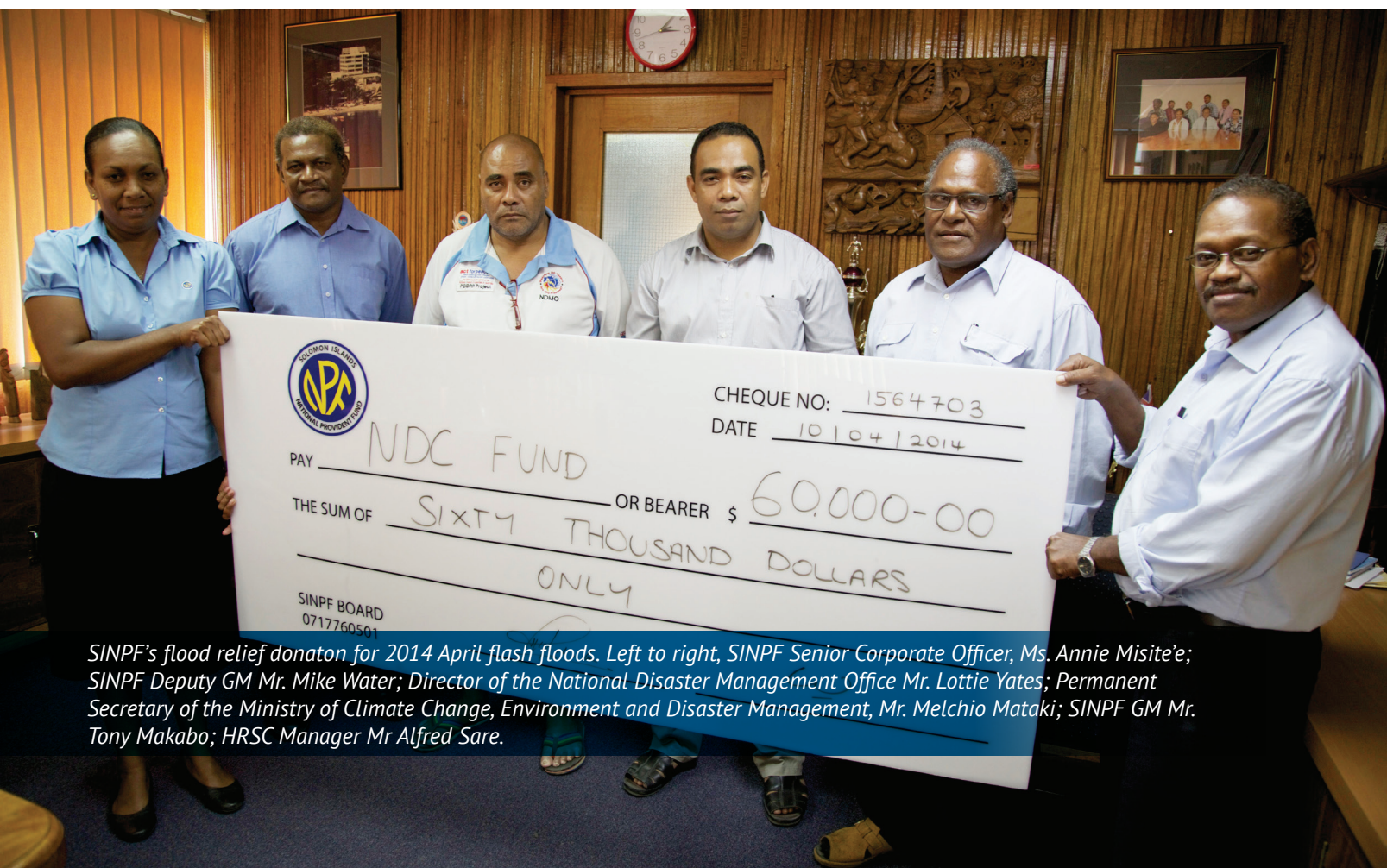
### Staff Health and Welfare

The Staff Health Clinic nurse has attended to 1,877 sick cases (some are repeated cases). Patients included: staff, spouses and children. Beside provision of clinical services, the Clinic promoted good health through experts giving talks on HIV and AIDS. To ensure healthy and productive human resources in the Fund, a reproductive health and general medical checks were carried out for Managers and staff. 175 different tests were carried out on Managers and staff including: Scans, pap-smear, breast examinations, HIV tests, ECG and TB tests.

The Nursing Officer, with support of the Sports Health Committee responsible for sport activities, encouraged all employees of the Fund to involve in sports to ensure they are always fit and healthy. Different games and exercises are done twice a week.

### Publicity

On public relations and educational awareness, the Fund has aired 53 SINPF Radio Awareness programs through Solomon Islands Broadcasting Corporation. These awareness programs are targeting members, employers and other stakeholders through out the country. Three television advertisements were produced for the 2014 FIFA



SINPF's flood relief donation for 2014 April flash floods. Left to right, SINPF Senior Corporate Officer, Ms. Annie Misite'e; SINPF Deputy GM Mr. Mike Water; Director of the National Disaster Management Office Mr. Lottie Yates; Permanent Secretary of the Ministry of Climate Change, Environment and Disaster Management, Mr. Melchio Mataki; SINPF GM Mr. Tony Makabo; HRSC Manager Mr Alfred Sare.



football World Cup to promote SINPF's services and products. As part of the Fund's ongoing public relations effort with the wider community, the Fund assisted six non-governmental organisations through donations worth around \$126,000 including donations valued \$60,000 towards relief efforts during Honiara April floods through National Disaster Council. In Sports, the Fund sponsored televising of the FIFA soccer finals for local soccer fans with a sponsorship amount of \$65,000.

### Residential Housing

The Fund endeavours to provide reasonable quality standard accommodation for staff that do not own residential properties. A total of 48 houses are available for staff and Managers. These are located in Honiara, Gizo and Auki. Out of the total houses, 41 houses are occupied by staff while seven houses are rented to private tenants. Two newly built 2X 3 bedroom houses aimed to house two additional staff are under construction and should be completed in the next financial year. It is envisaged that additional houses will be built at the Fund's Tasahe Housing Estate to meet staff housing needs.

### Archives

The archiving of old documents/records is still progressing during the year. The archiving exercise's ultimate goal is to preserve and maintain the Fund's historical records for easy access and retrieval to meet the Funds intended purposes now and in future. Among other tasks undertaken include: weeding of 426 closed and ceased files during the year. Two hundred and eleven files were retrieved and 15,640 were indexed. Over 10,200 files were scanned and digitally stored for future references. There is still a lot to be done with regards to digitizing of physical documents for storage purposes.

Archiving historical documents of the Fund through electronic mode will provide opportunity for easy access to find historical information and at the same time allows the floor spaces to be utilized for own or commercial usage rather than being occupied with files.

A photograph showing three staff members, two women and one man, standing in front of shelves filled with archival boxes. The boxes are labeled with dates and file numbers, such as '09-12-96', '19-12-96', '04-03-98', '09-03-98', '13-03-98', '17-03-98', '25-03-98', '30-03-98', '31-03-98', and '03-04-98'. The staff members are smiling and looking towards the camera. The man is in the center, and the two women are on either side of him. They are all wearing light blue short-sleeved shirts with a small logo on the left chest.

Senior Archives Officer Annah Votah, left, and her team at the SINPF Archives Section at the Komefera Building in Point Cruz.



SOLOMON ISLANDS NATIONAL PROVIDENT FUND

# **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014



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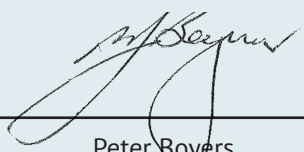
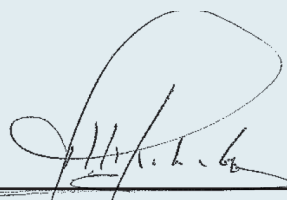
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## Statement By Directors

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 2014;
- (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 2014;
- (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 2014;
- (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 Act 1973 (as amended), International Financial Reporting Standards and other applicable standards in the Solomon Islands.

  
Baoro Laxton Koraua  
Chairman of the Board  
Peter Boyers  
Deputy Chairman  
Tony Makabo  
General Manager (CEO)

Dated at Honiara this 30th day of September 2014.



## INDEPENDENT AUDITOR'S REPORT

### TO THE DIRECTORS OF SOLOMON ISLANDS NATIONAL PROVIDENT FUND

#### Report on the Financial Statements

I have audited the accompanying financial statements of Solomon Islands National Provident Fund, which comprise the statement of net assets as at 30 June 2014, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes 1 to 21, comprising a summary of significant accounting policies and other explanatory information.

#### Directors' and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Solomon Islands National Provident Fund Act 1973, as amended, and other applicable laws and regulations. This responsibility includes implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board and management, as well as evaluating the overall presentation of the financial statements.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements give a true and fair view of the net assets of Solomon Islands National Provident Fund as at 30 June 2014 and of its changes in net assets and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Robert Cohen  
Acting Auditor-General

Office of the Auditor-General  
Solomon Islands

30 September 2014

## STATEMENT OF NET ASSETS AS AT 30 JUNE 2014

	Note	June 2014 \$	June 2013* \$
<b>ASSETS</b>			
<b>Investments</b>			
<i>Financial investments</i>			
Commercial papers and treasury bills	6 (a) (i)	724,374,191	624,728,851
Equity investments	6 (a) (ii)	1,179,444,410	1,170,010,601
Loans and advances	6 (b)	90,961,793	102,783,592
<i>Non-financial investments</i>			
Investment properties	6 (a) (iii)	259,279,772	212,438,000
		<b>2,254,060,166</b>	<b>2,109,961,044</b>
<b>OTHER ASSETS</b>			
Cash and cash equivalents	13	144,126,514	73,242,285
Receivables	5	151,034,586	119,655,313
Property, plant and equipment	7	72,700,705	77,750,915
		<b>367,861,805</b>	<b>270,648,513</b>
<b>TOTAL ASSETS</b>		<b>2,621,921,971</b>	<b>2,380,609,557</b>
<b>LIABILITIES</b>			
Accounts payable		1,453,450	1,177,317
Other payables and accruals	8 (a)	8,098,179	4,925,852
Employee entitlements	8 (b)	11,393,071	1,102,885
<b>TOTAL LIABILITIES (excluding net assets available to pay benefits)</b>		<b>20,944,700</b>	<b>7,206,054</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	4 (a)	<b>2,600,977,271</b>	<b>2,373,403,503</b>
<b>Represented by:</b>			
Allocated to members account	4 (b)	2,048,124,001	1,693,478,795
Special death benefit	4 (c)	1,043,539	2,107,241
Nominees trust	4 (d)	4,520,557	3,997,583
Reserves	4 (e/f)	547,289,174	673,819,884
<b>TOTAL MEMBERS FUNDS</b>		<b>2,600,977,271</b>	<b>2,373,403,503</b>

\* See note 20

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

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



Baoro Laxton Koraua  
Chairman of the Board



Peter Boyers  
Deputy Chairman



Tony Makabo  
General Manager (CEO)

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Note	June 2014 \$	June 2013* \$
<b>INVESTMENT INCOME</b>			
Interest income	3 (a)	16,476,468	21,914,723
Dividends	3 (b)	79,816,727	113,695,891
Net gain from changes in fair values	3 (c)	39,349,936	674,241,164
Rental income	3 (d)	25,442,333	26,224,322
		<u>161,085,464</u>	<u>836,076,100</u>
<b>LESS: DIRECT INVESTMENT EXPENSES</b>	3 (f)	20,670,304	27,818,760
<b>NET RETURN ON INVESTMENTS</b>		<u>140,415,160</u>	<u>808,257,340</u>
Other income	3 (e)	21,056,798	3,983,653
		<u>161,471,958</u>	<u>812,240,993</u>
<b>CONTRIBUTION REVENUE</b>			
Unallocated contributions		10,841,862	30,609,315
Members' contribution		215,718,655	175,712,994
		<u>226,560,517</u>	<u>206,322,309</u>
		<u>388,032,475</u>	<u>1,018,563,302</u>
Benefits paid	3 (h)	(116,743,668)	(89,873,103)
<b>OPERATIONAL EXPENSES</b>			
Operating expenses	3 (g)	(43,715,039)	(36,217,471)
<b>CHANGE IN NET ASSETS FOR THE YEAR (before revaluation of land and buildings)</b>		<u>227,573,768</u>	<u>892,472,728</u>
Transfer to General Reserve as a result of revaluation of land and buildings		-	23,046,941
<b>CHANGE IN NET ASSETS FOR THE YEAR</b>	4 (g)	<u>227,573,768</u>	<u>915,519,669</u>
Net assets available to pay benefits at the beginning of the financial year		2,373,403,503	1,457,883,834
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR</b>	4(a)	<u>2,600,977,271</u>	<u>2,373,403,503</u>

\* See note 20

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



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	June 2014 \$	June 2013 \$
<b>Cash flows from operating activities</b>			
Contributions from members and employers		226,560,517	206,322,309
Interest received		15,971,191	26,624,778
Dividends received		50,268,902	67,918,749
Rentals received		31,970,607	24,067,199
Other income received		20,188,610	3,731,480
Benefits paid to members		(116,743,668)	(89,873,103)
Cash paid to suppliers and employees		(46,064,606)	(49,958,251)
<b>Net cash flows from operating activities</b>		<b>182,151,553</b>	<b>188,833,161</b>
<b>Cash flows from investing activities</b>			
Net acquisition of commercial papers and treasury bills		(97,263,281)	(45,093,879)
Loans and advances repaid		7,230,822	3,065,238
Shares in subsidiaries acquired		(4,092,427)	(189,105,319)
Proceeds from sale of property plant and equipment		168,100	-
Acquisition of property plant and equipment		(17,310,538)	(42,268,767)
<b>Net cash used in investing activities</b>		<b>(111,267,324)</b>	<b>(273,402,727)</b>
<b>Net increase in cash and cash equivalents</b>		<b>70,884,229</b>	<b>(84,569,566)</b>
Cash and cash equivalents at the beginning of the year		<b>73,242,285</b>	157,811,851
Cash and cash equivalents at the end of the year	13	<b>144,126,514</b>	73,242,285

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

## 1. GENERAL INFORMATION

The 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 years of age, is not exempt and is employed under a contract of service, irrespective of the period for which a person is employed.

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 is equal to their accumulated contributions plus interest allocated to them annually by the Board (refer note 2 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 a defined contribution fund and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements of the Fund are based on International Financial Reporting Standards (IFRS) except where the Solomon Islands National Provident Fund Act (CAP 109) requires different treatment in which case the Act takes precedence. The accounting policies have been consistently applied over the reporting and comparative years.

The financial statements are expressed in the Solomon Islands dollar, rounded to the nearest dollar. All accounts of the Fund are maintained on an accrual account basis except the Contributions Account.

#### 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 6 (a) – Valuation of equity securities

Note 6 (b) – Recoverability of loans and receivables; and

Note 7 – Estimated useful lives of items of property plant and equipment.

### (b) Comparatives

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) **Members contribution account**

The Contribution Account has been maintained on a cash basis where only monthly returns (Form A's) that are actually paid are posted to the account.

### (d) **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 to the beneficiaries of the member after the death of a member. The maximum sum payable for SDB for the year ended 30 June 2014 for each member was \$10,000.

### (e) **Nominee trust account**

As provided for in the Act, if any person under eighteen years (other than his widow) is nominated to receive the 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.

### (f) **Interest on members account**

Interest credited to a member's account at 30 June in any one 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 Solomon Islands National Provident Fund 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, the Fund shall, as soon as is practicable, repay to the Government the sum advanced.

### (g) **Property, plant and equipment**

Land and buildings are measured at fair value. Fair value is determined on the basis of independent valuation prepared by external valuation experts, based on current market prices (as appropriate). The fair values are recognized 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 values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense in profit or loss, in which case the increase is credited to the income statement 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 retained earnings. 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. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value at 10% of cost. 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 method is reviewed at the end of each annual reporting period.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Property, plant and equipment (continued)

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

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

### (h) 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 recovery 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 other than goodwill 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 exempted from income tax.

### (j) Allowance for Doubtful Loans and Investments

An allowance for bad and doubtful debts is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivable. Objective evidence that receivables are impaired includes observable data that come to the attention of the Fund about the following events:

- Significant financial difficulty to the debtor.
- A breach of contract, such as default or delinquency in payments.
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The amount of allowance is the difference between the carrying amount and the recoverable amount of the asset being the present value of expected cash flows discounted at the market rate of interest for similar borrowers. The amount of the provision is recognized as a charge in the statement of changes in net assets.

### (k) Financial Instruments

Financial instruments comprise 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 classifies their financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, plus any directly attributable transaction costs. Subsequent to initial recognition non-derivate financial instruments are measured as described below.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Financial Instruments (continued)

A financial instrument is recognised if the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Fund commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Fund's obligations specified in the contract expire or are discharged or cancelled.

#### (i) Financial assets at fair value through profit or loss

This category has financial assets that are designated at fair value through profit or loss at inception. This largely consists of equity investments which are 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 are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of changes in net assets.

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

#### (ii) Held to maturity financial assets

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

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Term deposits, government securities and other fixed interest securities are included under this category.

#### (iii) 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 are measured at amortised cost using the effective interest method, less any impairment losses. Loans and advances, cash and cash equivalents and trade receivables are included under this category.

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Certain private equity investments are included under this category.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of changes in net assets.

### (l) Impairment of financial assets carried at amortised cost

The Fund assesses at each financial year end whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is 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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Impairment of financial assets carried at amortised cost (continued)

(or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can 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 are all factors which the Fund considers in determining whether there is objective evidence of impairment.

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it then includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can 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 is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of changes in net assets.

### (m) 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.

### (n) 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 exchange 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 transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets.

### (o) 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Provisions (continued)

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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.

### (p) Other payables and accruals

Other payable and accruals are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

### (q) 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.

### (r) Revenue Recognition

#### (i) 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 on an accrual basis.

#### (ii) 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.

#### (iii) Dividend Income

Dividend income from investments is recognised when the right to receive payment is established, which is when it has been declared.

### (s) Expenses

#### (i) Benefits paid

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

#### (ii) Other expenses

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

### (t) Employee entitlements

#### (i) 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (ii) 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.

## 3. INCOME AND EXPENSES

	June 2014	June 2013
	\$	\$
<b>(a) Interest income</b>		
Cash at bank	63,469	82,605
Treasury bills	220,807	127,296
Bonds	3,075,067	2,780,377
Loans and advances	6,922,381	9,221,049
Investment securities - commercial papers & treasury bills	6,194,744	9,703,396
<b>Total</b>	<b>16,476,468</b>	<b>21,914,723</b>
<b>(b) Dividends</b>		
Quoted shares	4,741,306	5,166,900
Unquoted shares	74,481,656	107,943,811
Managed funds	593,765	585,180
<b>Total</b>	<b>79,816,727</b>	<b>113,695,891</b>
<b>(c) Gain/(loss) from changes in fair values</b>		
Investment properties	31,626,496	9,570,179
Equities	5,341,382	669,709,338
Net foreign exchange gain/(loss)	2,382,058	(5,038,353)
<b>Total</b>	<b>39,349,936</b>	<b>674,241,164</b>
<b>(d) Rental income</b>		
Investment properties	24,343,096	26,127,372
Others	1,099,237	96,950
<b>Total</b>	<b>25,442,333</b>	<b>26,224,322</b>
<b>(e) Other income</b>		
Bad debts recovery	5,065,382	412,084
Legal fee recovery	10,417,244	-
Risk premium fee – Bank of the South Pacific Limited	263,878	313,696
Surcharge	4,565,164	2,117,862
Others	745,130	1,140,011
<b>Total</b>	<b>21,056,798</b>	<b>3,983,653</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 3. INCOME AND EXPENSES (Continued)

	June 2014 \$	June 2013 \$
<b>(f) Direct investment expenses</b>		
Utilities (water and electricity)	4,480,723	11,783,838
Repairs and maintenance	6,648,156	4,627,798
	<b>\$</b>	<b>\$</b>
Land rates and rental charges	415,600	139,361
Insurance	947,347	556,571
Cleaning services	556,146	486,150
Valuation	356,000	90,000
Doubtful debts – loans and advances	4,698,147	3,750,000
Doubtful debts – other receivables	2,568,185	6,385,041
<b>Total</b>	<b>20,670,304</b>	<b>27,818,760</b>
<b>(g) Operating expenses</b>		
Board and management allowances	367,595	445,648
Utilities (water and electricity)	1,525,672	1,576,720
Repairs and maintenance	2,558,726	1,900,849
Land rates and rental charges	102,702	54,222
Administrative expenses	5,969,366	4,657,263
Doubtful debts - surcharges	-	1,184,731
Depreciation expenses	6,968,973	4,804,500
Insurance expenses	323,663	279,018
Audit fees	500,570	485,486
Bank charges	61,247	55,907
Consultancy fees and expenses	2,118,916	8,312,311
Staff costs (refer below)	23,217,609	12,460,816
<b>Total</b>	<b>43,715,039</b>	<b>36,217,471</b>
<u>The breakdown of staff costs are as follows:</u>		
Wages and salaries	10,181,735	8,940,473
Contributions to SINPF	734,846	657,989
Employee benefits	10,146,583	959,539
Other staff costs	2,154,445	1,902,815
	<b>23,217,609</b>	<b>12,460,816</b>
<b>(h) Benefit paid</b>		
Interest on withdrawal, trust and other members expenses	8,313,477	2,584,631
Contribution withdrawals (refer Note 4 (b) )	106,314,917	86,092,584
Special death benefit payments ( refer Note 4(c) )	1,659,876	708,941
Nominees trust payment ( refer Note 4 (d) )	455,398	486,947
<b>Total</b>	<b>116,743,668</b>	<b>89,873,103</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 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**

The last revaluation of land and buildings was carried out on 16 June 2013. The revaluation surplus/loss is credited to the revaluation reserve. The next revaluation of the land and buildings will be carried out in the subsequent 3 years.

- **General Reserve**

Revenue less normal operational expenses are credited to the General Reserves 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, unidentified members contribution including other appropriated contribution related accounts.

In the event where the general reserve is in deficiency due to losses arising from operations, including shortfalls of surplus resulted from interests allocated to members' accounts, such losses are to be off set and recovered from subsequent earnings and future surpluses.

	June 2014 \$	June 2013 \$
<b>(a) Net assets available to pay benefits</b>		
Net assets available to pay benefits	2,600,977,271	2,373,403,503
<b><u>Represented by:</u></b>		
Allocated to members' account	2,048,124,001	1,693,478,795
Special death benefit	1,043,539	2,107,241
Nominees trust	4,520,557	3,997,583
Reserves	547,289,174	673,819,884
	<u>2,600,977,271</u>	<u>2,373,403,503</u>
<b>(b) Liability for accrued benefits</b>		
Opening Balance	1,693,478,795	1,330,713,078
Contributions received from members and employers	226,560,517	206,322,309
Interest credited to members accounts	236,231,153	245,977,469
Benefits paid – withdrawals (refer note 3 (h))	(106,314,917)	(86,092,584)
Transfer to nominees trust accounts	(978,372)	(1,291,884)
Transfer to special death benefits	(596,174)	(551,251)
Forfeited contributions transfer to general reserve	(542,846)	(2,120,739)
Other transfers / adjustments	285,845	522,397
Balance at 30 June	<u>2,048,124,001</u>	<u>1,693,478,795</u>
<b><u>Represented by:</u></b>		
Allocated to members' accounts	2,020,946,105	1,650,087,147
Unidentified	27,177,896	43,391,648
	<u>2,048,124,001</u>	<u>1,693,478,795</u>

**4. NET ASSETS AVAILABLE TO PAY BENEFITS (CONTINUED)**

	\$	\$
<b>(c) Special death benefit</b>		
Opening balance	2,107,241	2,264,931
Add /(less) transfers from /(to) statement of change in net assets:		
Transfers in	596,174	551,251
Transfer out	(1,659,876)	(708,941)
Balance at the end of the year	<u>1,043,539</u>	<u>2,107,241</u>
<b>(d) Nominees trust account</b>		
Opening balance	3,997,583	3,192,646
Add /(less) transfers from /(to) statement of change in net assets:		
Transfers in	978,372	1,291,884
Transfer out	(455,398)	(486,947)
Balance at the end of the year	<u>4,520,557</u>	<u>3,997,583</u>
<b>(e) Revaluation Reserve</b>		
Opening Balance	69,951,343	46,904,402
Add: Revaluation during the year	-	23,046,941
Balance at end of the year	<u>69,951,343</u>	<u>69,951,343</u>
<b>(f) General Reserve</b>		
Opening Balance	603,868,541	74,808,777
Transfers in	542,846	529,059,764
Transfers out	(127,073,556)	-
Balance at end of the year	<u>477,337,831</u>	<u>603,868,541</u>
Total reserves	<u>547,289,174</u>	<u>673,819,884</u>
<b>(g) Net change for the year</b>		
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:	<u>227,573,768</u>	<u>915,519,669</u>
<u>Comprises net transfers to/(from):</u>		
Liability for accrued benefits	354,645,206	362,765,717
Special death benefit	(1,063,702)	(157,690)
Nominees trust	522,974	804,937
General reserves	(126,530,710)	552,106,705
	<u>227,573,768</u>	<u>915,519,669</u>

**5. RECEIVABLES**

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	June 2014 \$	June 2013 \$
Interest	4,370,422	3,865,145
Rental income	5,518,998	10,958,606
Dividends	138,697,154	109,149,329
Surcharges	9,698,802	8,998,715
Others	5,317,780	1,335,251
	<u>163,603,156</u>	<u>134,307,046</u>
Less: Allowance for doubtful debts	(12,568,570)	(14,651,733)
<b>Total receivables</b>	<u>151,034,586</u>	<u>119,655,313</u>

Movement in allowance for doubtful debts is as follows:

Balance at 1 July	(14,651,733)	(7,081,961)
Impairment loss recognised – net	(2,568,185)	(7,569,772)
Amounts written off	4,651,348	-
Balance at the end of the year	<u>(12,568,570)</u>	<u>(14,651,733)</u>

The allowance for doubtful debts of \$12,568,570 (2013: \$14,651,733) is provided against arrears on surcharges, interest receivable and rental income.

## 6. INVESTMENTS

**(a) Financial assets carried at fair value through statement of changes in net assets**

**(i) Commercial Papers and Treasury Bills**

On shore deposits	455,772,824	335,021,171
Offshore deposits	<u>170,601,262</u>	<u>154,256,718</u>
Total deposits	626,374,086	489,277,889
Treasury bills	19,593,150	23,508,861
Government securities – Related party	46,906,954	60,442,101
Other fixed term debt securities (debentures) – Related parties	<u>31,500,000</u>	<u>51,500,000</u>
<b>Total</b>	<u>724,374,191</u>	<u>624,728,851</u>

The movement in commercial papers & treasury bills is as follows:

Opening balance	624,728,851	599,673,323
Net movement during the year	97,263,282	30,093,881
Foreign exchanges differences	<u>2,382,058</u>	<u>(5,038,353)</u>
Balance at the end of the year	<u>724,374,191</u>	<u>624,728,851</u>

**(ii) Equity securities at fair value:**

- Listed	109,000,240	104,907,813
- Unlisted	<u>1,070,444,170</u>	<u>955,200,000</u>
Total equities at fair value	<u>1,179,444,410</u>	<u>1,060,107,813</u>

Equity securities at cost:

- Unlisted	-	109,902,788
Total equities at cost	<u>-</u>	<u>109,902,788</u>

**Total equities at cost and fair value**

	<u>1,179,444,410</u>	<u>1,170,010,601</u>
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## 6. INVESTMENTS (CONTINUED)



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	June 2014 \$	June 2013 \$
<b>(a) Financial assets carried at fair value through statement of changes in net assets (continued)</b>		
<u>The movement in investment securities carried at fair value through profit and loss is as follows:</u>		
Opening balance	1,170,010,601	311,195,944
Net acquisitions during the year	4,092,427	189,105,319
Gain from change in fair value	5,341,382	669,709,338
<b>Balance at the end of the year</b>	<b>1,179,444,410</b>	<b>1,170,010,601</b>
<b>(iii) Investment properties</b>		
Opening balance	212,438,000	106,404,765
Transfer to property, plant & equipment	(4,700,000)	-
Additions	10,091,776	-
Disposals	(176,500)	-
Transfers from property, plant & equipment	10,000,000	96,463,056
Gain from fair value adjustment *	31,626,496	9,570,179
<b>Balance at the end of the year</b>	<b>259,279,772</b>	<b>212,438,000</b>
<b>(b) Financial Assets carried at amortised cost</b>		
<b>(i) Loans and advances</b>		
- Commercial loans – Private entities	15,000,000	15,000,000
- Commercial loans – Related parties	75,891,019	81,636,841
- Member schemes	6,607,129	7,988,355
- Staff schemes	2,490,366	2,594,139
Total gross loans and advances	99,988,514	107,219,335
Allowance for doubtful debts	(9,026,720)	(4,435,743)
<b>Net loans and advances</b>	<b>90,961,794</b>	<b>102,783,592</b>
<u>The break down is as follows:</u>		
- Current	9,097,495	10,582,494
- Non current	90,891,019	96,636,841
	<b>99,988,514</b>	<b>107,219,335</b>
<u>Movement in allowance for doubtful debts is as follows:</u>		
Balance at 1 July	(4,435,743)	(1,163,367)
Impairment loss recognised - net	(4,698,147)	(3,750,000)
Amounts written off	107,170	477,624
<b>Balance at the end of the year</b>	<b>(9,026,720)</b>	<b>(4,435,743)</b>

\*Independent valuations of the Fund's Investment properties were performed by Value Solution Appraisal to determine the fair value of land and buildings. The valuations, which conform to international valuation standards, were determined by reference to the current market values of the land and buildings. The effective date of the valuation was 2 June 2014.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings (at valuation)	Machinery equipment & motor vehicles	Furniture, fittings, computer & other equipment	Work in progress	Total
	\$	\$	\$	\$	\$
At cost / valuation					
Balance as at 1 July 2012	36,355,000	12,243,374	8,399,582	78,727,806	135,725,762
Transfer to investment properties	-	-	-	(96,463,056)	(96,463,056)
Additions	-	7,029,839	1,294,764	33,944,164	42,268,767
Revaluation increment	22,109,555	-	-	-	22,109,555
Disposals	-	(2,954,598)	(909,102)	(8,471,603)	(12,335,303)
Balance as at 30 June 2013	58,464,555	16,318,615	8,785,244	7,737,311	91,305,725
Balance as at 1 July 2013	58,464,555	16,318,615	8,785,244	7,737,311	91,305,725
Transfer from investment properties	4,700,000	-	-	-	4,700,000
Transfer to investment properties	(10,000,000)	-	-	(10,091,776)	(20,091,776)
Additions	-	1,460,729	988,745	14,861,065	17,310,539
Disposals	-	(635,355)	-	-	-635,355
Balance as at 30 June 2014	53,164,555	17,143,989	9,773,989	12,506,600	92,589,133

## 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings	Machinery equipment & motor vehicles	Furniture, fittings, computer & other equipment	Work in progress	Total
	\$	\$	\$	\$	\$
<b>ACCUMULATED DEPRECIATION</b>					
Balance as at 1 July 2012	5,549,169	7,654,629	6,717,907	-	19,921,705
Expense for the year	1,663,001	2,332,260	809,239	-	4,804,500
Disposals	(7,212,170)	(2,717,680)	(1,241,545)	-	(11,171,395)
Balance as at 30 June 2013	-	7,269,209	6,285,601	-	13,554,810
Balance as at 1 July 2013	-	7,269,209	6,285,601	-	13,554,810
Expense for the year	2,898,874	3,276,780	793,318	-	6,968,973
Disposals	-	(635,355)	-	-	(635,355)
Balance as at 30 June 2014	2,898,874	9,910,634	7,078,919	-	19,888,428
<b>CARRYING VALUE</b>					
Balance as at 30 June 2013	58,464,555	9,049,406	2,499,643	7,737,311	77,750,915
Balance as at 30 June 2014	50,265,681	7,233,355	2,695,070	12,506,600	72,700,705

In the prior year, an independent valuation of the Funds' land and buildings was carried out by Value Solutions Appraisal, and a revaluation increment was taken up. The valuations which conform to international valuation standards were determined by reference to the current market values of land and buildings.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 8. OTHER PAYABLES AND ACCRUALS AND EMPLOYEE ENTITLEMENTS

	June 2014 \$	June 2013 \$
<b>(a) Other payable and accruals</b>		
Rental bond	4,581,254	2,769,940
Accruals and provisions	3,516,925	2,155,912
	<u>8,098,179</u>	<u>4,925,852</u>
<b>(b) Employee entitlements</b>		
Provision for early retirement benefits, annual leave and long service leave	11,393,071	1,102,885
<u>Movement in provision for employee entitlements:</u>		
Balance at 1 July	1,102,885	831,480
Net movement during the year	10,290,186	271,405
Balance at the end of the year	<u>11,393,071</u>	<u>1,102,885</u>

During the year, the Fund changed the accounting for retirement benefit from cash basis to accrual basis, resulting in a provision of \$9,961,805 being created.

### 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 2014, this group comprises of 19 individuals, including the General Manager (CEO), 8 non-executive Fund Board Members, and 10 senior staff. Fees of the non-executive members of the Fund Board are determined by the Minister of Finance. The General Manager's (CEO) 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. The key management personnel are:

The specified directors of the Fund during the year were:

Names	Appointment	Date of Appointment	Term of appointment	Date appointment lapse	Representing
Mr. Baoro Laxton Koraua	Director	7-Mar-12			
	Chairman	30-Mar-12	3 years	7-Mar-15	Employer
Mr. Peter Boyers	Deputy chairman	14-Apr-14	1 year	14-Apr-15	Crown
Mr. Harry Kuma	Member	22-Jun-14	1 year	22-Jun-15	Crown
Dr. Levi Hou	Member	9-Sep-11	3 years	8-Sep-14	Employees
Mr. Gideon Zoleveke (Jnr)	Member	29-Mar-13	3 years	29-Mar-16	Employer
Dr. Alice Pollard	Member	29-Mar-13	3 years	29-Mar-16	Minister's Discretion
Mr. Jerry Maiki Tengemona	Member	14-Apr-14	2 years	14-Apr-16	Minister's Discretion
Mrs. Jullian Gegeu - Haro	Member	14-Apr-14	2 years	14-Apr-16	Employees

## 9. RELATED PARTIES (CONTINUED)

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

The specified executives of the Fund during the year were:

Names	Position
Tony Makabo	General Manager and CEO
Michael Wate	Deputy General Manager
Ruth Alepio	Board Secretary
Alfred Sare	Manager Human Resource & Corporate services
Suzanne Orudiana	Manager IT
Aluta Kakadi	Manager Operations
Areau Hivu	Manager Internal Audit
Ishmael Kako	Manager Legal Counsel
Rose Karoa	Manager Finance
Enly Gani	Manager Property
Jennifer Lakoa	Manager Investment

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

	June 2014 \$	June 2013 \$
<b>Directors:</b>		
Sitting allowances	244,768	288,189
Other services and allowances	2,425	5,557
	<u>247,193</u>	<u>293,746</u>
<b>Key management personnel (executives):</b>		
Short-term employee benefits	4,476,651	4,251,312
Post-employment benefits	335,749	318,848
Total compensation	<u>4,812,400</u>	<u>4,570,160</u>

Short-term benefits include cash salary, and in the case of staff, annual 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, loans by the Fund to key management personnel are as follows:

Housing loans	37,419	64,820
Other	182,445	186,908
Total loans	<u>219,864</u>	<u>251,728</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 9. RELATED PARTIES (CONTINUED)

#### (b) Related Party transactions and balances

The following loans have been provided to related entities and are contained in Note 6 (b) (i):

	June 2014 \$	June 2013 \$
<b><u>Loans and advances to related parties</u></b>		
Soltuna Company Limited	46,274,430	50,000,000
Heritage Park Hotel Limited	16,942,718	16,942,718
Sasape International Shipyard Limited	5,524,586	5,714,170
Solomon Telekom Company Limited	7,149,285	8,979,953
<b>Total loans and advances to related parties (refer Note 6(b) (i))</b>	<b>75,891,019</b>	<b>81,636,841</b>

#### **Commercial papers and treasury bills to related parties**

Solomon Islands Government	46,906,954	60,442,101
South Pacific Oil Limited - debenture	25,000,000	45,000,000
Solomon Islands Home Finance Limited - debenture	6,500,000	6,500,000
<b>Total commercial papers and treasury bills to related parties (refer Note 6(a) (i))</b>	<b>78,406,954</b>	<b>111,942,101</b>

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

	June 2014 \$	June 2013 \$
<b><u>Dividend income</u></b>		
Solomon Telekom Company Limited	28,569,195	42,083,134
South Pacific Oil Limited	43,772,461	63,745,677
Solomon Islands Home Finance Limited	100,000	50,000
Heritage Park Hotel Limited	2,040,000	2,065,000
<b>Total dividend income from related parties</b>	<b>74,481,656</b>	<b>107,943,811</b>

#### **Interest income**

Soltuna Company Limited	5,366,518	5,589,590
South Pacific Oil Limited	1,157,260	2,113,445
Solomon Islands Home Finance Limited	649,644	666,932
Sasape International Shipyard Limited	536,586	554,135
Solomon Telekom Company Limited	519,771	644,752
Solomon Islands Government	1,214,880	1,581,390
<b>Total interest income from related parties</b>	<b>9,444,659</b>	<b>11,150,244</b>

#### **Other transactions with related parties**

South Pacific Oil Limited – Legal fees recovery	10,417,244	-
– Repayment of debenture	20,000,000	-



## 10. AUDITORS REMUNERATION

Fees totaling \$500,570 was provided in the accounts for audit services as at June 2014 (2013: \$485,486). 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

### (a) Deed between SINPF and BSP

Following the Deed signed on 26 March 2007, between Solomon Islands National Provident Fund and Bank of South Pacific Limited and for the purpose of satisfying the BPNG prudential guidelines, and in consideration for BSP entering into the said Sale Agreement, SINPF undertake to guarantee the performance of the Solomon Islands Government Long Term Bonds of Forty Two Million Four Hundred and Ten Thousand Solomon Dollars (SBD 42,410,000.00).

The balance at 30 June 2014 of the long term bonds outstanding is \$14,073,487.

### (b) Civil Case between SINPF and Gegeu & Others.

In a civil case before the courts; Gegeu & others –v- SINPF Board, High Court civil case number 157 of 2013, the former tenants of demolished NPF Food Courts sued the Fund for \$5,138,749. Negotiations for an out of court settlement have failed and the case will now go through normal court process. As at 30 June 2014, the matter is still in progress and no provision has been made for any loss that may be incurred.

## 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 2014 \$	June 2013 \$
Cash at bank	144,123,114	73,238,885
Cash on hand	3,400	3,400
	<u>144,126,514</u>	<u>73,242,285</u>

## 14. EMPLOYEES

The number of full time permanent Fund employees as at 30 June 2014 was 117 (2013: 107).

## 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.

#### (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 losses that have been incurred at year end date, if any.

Credit risk on financial assets is minimized by dealing with recognized monetary institutions.

At year end concentrations of credit risk are noted for Bank South Pacific Limited, Australia and New Zealand Bank Group Limited, Westpac Banking Corporation Limited and Credit Co-operation Limited.

The asset allocation at reporting date is as follows:

	June 2014		June 2013	
	\$	%	\$	%
<b>Assets</b>				
Commercial Papers and Treasury Bills	724,374,191	65%	624,728,851	68%
Loans and advances	90,961,793	8%	102,783,592	11%
Cash and cash equivalents	144,126,514	13%	73,242,285	8%
Receivables	151,034,586	14%	119,655,313	13%
<b>Total</b>	<b>1,110,497,084</b>	<b>100%</b>	<b>920,410,041</b>	<b>100%</b>

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 maintain ultimate control over investment policy at the micro level while the Investment and Credit Sub-board Committee and Manager Investment are given the flexibility needed at 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 shall evaluate investment proposals to ensure viability and consistency with the approved investment strategy and prudential standards issued by Central Bank of Solomon Islands.

#### (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 at 30 June 2014 is \$66,500,104.62 (June 2013: \$83,950,962).

## 15. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management (continued)

#### (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 portfolio. 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 2014	Currency					Total
	SBD	AUD	USD	Euro	Others	
Assets	\$	\$	\$	\$	\$	\$
Commercial papers and treasury bills	553,772,929	65,600,640	51,537,540	24,585,548	28,877,534	724,374,191
Equity investments	1,070,444,170	17,610,328	22,838,446	9,699,980	58,851,486	1,179,444,410
<b>Total</b>	<b>1,624,217,099</b>	<b>83,210,968</b>	<b>74,375,986</b>	<b>34,285,528</b>	<b>87,729,020</b>	<b>1,903,818,601</b>

30 June 2013						
Assets						
Commercial papers and treasury bills	470,472,133	63,443,220	42,108,015	27,075,399	21,630,084	624,728,851
Equity investments	1,065,102,788	13,943,071	23,098,941	3,784,991	64,080,810	1,170,010,601
<b>Total</b>	<b>1,535,574,921</b>	<b>77,386,291</b>	<b>65,206,956</b>	<b>30,860,390</b>	<b>85,710,894</b>	<b>1,794,739,452</b>

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

The following table details the Fund's sensitivity to a 10% increase and decrease in the Solomon Islands Dollar against the relevant foreign currencies. 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 Dollar. A positive number below indicates an increase in net assets and where the Dollar strengthens 10% against the relevant currency. A negative number below indicates a decrease in net assets where the dollar strengthens by 10% against the relevant currency.

	AUD impact (000s)		USD impact (000s)		Euro impact (000s)		GBP impact (000s)		PGK impact (000s)	
	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
	increase	decrease	increase	decrease	increase	decrease	increase	decrease	increase	decrease
Changes in net assets	9,259	(7,575)	8,267	(6,764)	3,874	(3,169)	1,992	(1,630)	7,798	(6,380)



## 15. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management (continued)

#### (e) 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 amounts of which are immaterial.

The credit risk on commercial papers 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 dividend basis. Accordingly an interest rate sensitivity analysis is not required.

#### (f) 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 and units in a UBS Managed Fund 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, due to the illiquidity of the market.

The 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 a fortnightly contributions payable through out 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-Jun-14	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Commercial papers and Treasury Bills	-	147,720,325	439,383,475	30,102,100	107,168,291	724,374,191
Loans and advances	-	-	9,976,595	9,097,495	71,887,703	90,961,793
Cash and cash equivalents	144,126,514	-	-	-	-	144,126,514
Receivables	6,380,171	19,140,514	125,513,901	-	-	151,034,586
<b>Total</b>	<b>150,506,685</b>	<b>166,860,839</b>	<b>574,873,971</b>	<b>39,199,595</b>	<b>179,055,994</b>	<b>1,110,497,084</b>
<b>Liabilities</b>						
Accounts payable	1,424,623	26,982	1,845	-	-	1,453,450
Other payables and accruals and employee benefits	506,527	285,106	8,250,214	10,449,403	-	19,491,250
<b>Total</b>	<b>1,931,150</b>	<b>312,088</b>	<b>8,252,059</b>	<b>10,449,403</b>	<b>-</b>	<b>20,944,700</b>
<b>Net liquidity gap</b>	<b>148,575,535</b>	<b>166,548,751</b>	<b>566,621,912</b>	<b>28,750,192</b>	<b>179,055,994</b>	<b>1,089,552,384</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 15. FINANCIAL INSTRUMENTS (CONTINUED)

#### (f) Liquidity risk (continued)

30-Jun-13	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets	\$	\$	\$	\$	\$	\$
Commercial papers and Treasury Bills	-	55,850,432	375,023,193	124,904,263	68,950,963	624,728,851
Loans and advances	-		7,740,401	10,582,494	84,460,697	102,783,592
Cash and cash equivalents	73,242,285	-	-	-	-	73,242,285
Receivables	4,194,926	12,232,320	103,228,067	-	-	119,655,313
<b>Total</b>	<b>77,437,211</b>	<b>68,082,752</b>	<b>485,991,661</b>	<b>135,486,757</b>	<b>153,411,660</b>	<b>920,410,041</b>
<b>Liabilities</b>						
Accounts payable	1,168,374	8,796	147	-	-	1,177,317
Other payables and accruals and employee benefits	349,359	-	623,327	5,056,051	-	6,028,737
<b>Total</b>	<b>1,517,733</b>	<b>8,796</b>	<b>623,474</b>	<b>5,056,051</b>	<b>-</b>	<b>7,206,054</b>
<b>Net liquidity gap</b>	<b>75,919,478</b>	<b>68,073,956</b>	<b>485,368,187</b>	<b>130,430,706</b>	<b>153,411,660</b>	<b>913,203,987</b>

### 16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS

#### (a) SUBSIDIARIES

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 its investments in subsidiaries at fair value through statement of changes in net assets and does not consolidate them.

	Place of business	Ownership	Fair value June 2014	Fair value / Cost June 2013
<b>Subsidiaries</b>				
(i) South Pacific Oil Limited	Solomon Islands	100%	638,598,300	625,500,000
(ii) Solomon Islands Home Finance Limited	Solomon Islands	100%	15,550,000	13,866,987
(iii) Solomon Telekom Company Limited	Solomon Islands	65%	342,798,300	329,700,000
(iv) Solomon Oceanic Cable Company Limited	Solomon Islands	51%	32,676,199	37,728,632
<b>Total fair value of subsidiaries</b>			<b>1,029,622,799</b>	<b>1,006,795,619</b>
<b>Other equity investments</b>				
(i) Heritage Park Hotel Limited	Solomon Islands		22,500,000	11,955,105
(ii) Bank South Pacific Limited (Listed)	PNG		58,868,525	29,498,590
(iii) Soltuna Company Limited	Solomon Islands		18,296,371	45,469,230
(iv) Sasape International Shipyard Limited	Solomon Islands		25,000	882,834
(v) Offshore managed funds (Listed)	Singapore, Australia & PNG		50,131,716	75,409,223
<b>Total fair value of other equity investments</b>			<b>149,821,612</b>	<b>163,214,982</b>
<b>Total fair value of equity investments (refer Note 6 (a) (ii))</b>			<b>1,179,444,411</b>	<b>1,170,010,601</b>

## **16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS (CONTINUED)**

### **(a) SUBSIDIARIES (CONTINUED)**

Commencing in 2013, the Board adopted a policy to regularly revalue its unlisted domestic equities, beginning with its two large equity exposures South Pacific Oil Limited and Solomon Telekom Company Limited. All equities were revalued in 2014.

#### **(i) SOUTH PACIFIC OIL LIMITED (SPOL)**

In April 2013 under a high court sanctioned Deed of Settlement agreed with minority shareholder GRP & Associates Limited, the SINPF Board purchased GRP's 25% shareholding in SPOL for \$156,375,000 thereby increasing its shareholding in SPOL to 100%.

The SINPF Board has had a valuation of the market value of SPOL undertaken by an independent party (Deloitte) as at 30 June 2014 under the applicable international financial reporting standard IFRS 10. The midpoint in the valuation range of \$638,598,300 has been booked and the increment in value has been credited to the statement of changes in net assets.

#### **(ii) SOLOMON ISLANDS HOME FINANCE LIMITED (SIHFL)**

On 27 April 2009, the Fund acquired from the SIG its 5,109,091 fully paid shares in Solomon Islands Home Finance Limited (SIHFL) for \$ 13,866,987. SIHFL is wholly owned by the Fund.

During the year there were no changes to the shareholding in SIHFL. SIHFL is the Fund's vehicle to provide housing solutions for members of the Fund on commercial terms.

At 30 June 2014 the investment was revalued to market value of \$15,550,000 based on an independent valuation carried out by Morris and Sojnoski.

#### **(iii) SOLOMON TELEKOM COMPANY LIMITED (STCL)**

The Fund's equity investments in Solomon Telekom Company Limited remained unchanged during the year at 51,946,625 class A shares, representing 64.74% of the company's share capital.

The other shareholders are Cable & Wireless plc holding 26,138,272 class B shares representing 32.58%, and Investment Corporation of Solomon Islands holding 2,149,625 class A shares representing 2.68% of the company's ownership respectively.

The Fund's 64.74% shareholding in Solomon Telekom Company Limited was valued by Deloitte at 30 June 2014. The Board has taken up the mid point in the range of \$342,798,300 for its shares in STCL and the revaluation increment has been credited to the statement of changes in net assets.

#### **(iv) SOLOMONS OCEANIC CABLE COMPANY LIMITED (SOCC)**

The SINPF Board and its subsidiary Solomon Telekom Company Limited (STCL) incorporated a new company Solomons Oceanic Cable Company Limited (SOCC) on 15th September 2011. It is anticipated that SINPF Board will own 51% and STCL 49% of the company. SOCC will develop, operate, and own a submarine fibre optic cable network system that will greatly improve Solomon Islands connectivity to the rest of the world.

During 2013 SINPF finally completed the purchase its 5,100,000 allotted shares at US\$1.00 per share for US\$5,100,000 representing \$37,728,632 in SBD terms this was revalued at 30 June 2014, based on an independent valuation by Morris and Sojnoski, to \$32,676,199 with the decrease being taken to the statement of changes in net assets.



## **16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS (CONTINUED)**

### **(b) OTHER EQUITY INVESTMENTS**

#### **(i) HERITAGE PARK HOTEL LIMITED (HPhL)**

In 2010 the Board of the HPhL recommended and was agreed to by shareholders to restructure the company's capital structure by apportioning 70% of the paid up equity to shareholders loans and 30% to equity. SINPF exposure's immediately following the restructure were as follow; \$7,246,826 equity and \$16,909,260 in shareholder's loan for a total exposure of \$24,156,085. The Fund also paid \$4,693,940 to CGA Limited, one of the shareholders in the company to ensure that SINPF's 20 shares in the company represented 10% of the company's shareholding structure.

This lifted the total exposure in HPhL to \$28,897,824, with equity recorded at \$11,955,105 and the loan at \$16,942,718.

In the same resolution, the shareholders further agreed that in the first 5 years the loan would be interest free whilst dividends only will be paid maximising the benefit of HPhL's 5 years tax holiday. After 5 years, interest on the loan will be charged at 1% below the domestic market lending rate and repayment will be determined by Board resolution. The dividend policy will be determined by Board resolution.

The SINPF Board based on the advice of the external experts (Morris and Sojnoski), have taken the fair value of its 20% holding to be \$22,500,000 as at 30 June 2014 under the applicable international financial reporting standard IFRS 10. The increment in value has been credited to the statement of changes in net assets.

#### **(ii) BANK SOUTH PACIFIC LIMITED (BSP)**

The Fund maintained its 2,500,001 shares in BSP during the year. The BSP share price at the end of the year was \$23.54 per share.

#### **(iii) SOLTUNA COMPANY LIMITED (SCL)**

In 2010 the SINPF Board purchased 68,456,617 shares in SCL, (formerly Soltai Fishing and Processing Company Limited) for \$36,282,007 representing a 29% shareholding in SCL. The Board also provided a \$50 million ten (10) year loan to SCL, secured against all the company's fixed term properties as well as a 5 year government guarantee.

SCL in May 2012 issued additional shares to its shareholders to obtain funds to complete the upgrade of its production capacity to process a throughput of 120 tonnes of fish per day. The Fund purchased its allotted shares of 18,543,383 at \$0.33 cents per share for a value of \$6,119,316 in June 2012. This brought the Fund's new total number of shares in the company to 87,000,000 for a value of \$42,401,323 at the end of 30 June 2012.

During 2013 the Board also purchased 6,266,385 shares from Western Province Executive. This brought SINPF total number of shares in the company to 96,296,690 representing 32.1% of the company total shares. As at 30 June 2014, the shares were valued by the directors of the Fund, based on external valuations performed, at \$18,296,371. The decrease in the value of the shareholding has been taken in the statement of changes in net assets.

## **16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS (CONTINUED)**

### **(b) OTHER EQUITY INVESTMENTS (CONTINUED)**

#### **(iv) SASAPE INTERNATIONAL SHIPYARD LIMITED (SISL)**

Under a joint venture agreement (JVA) entered into with Silentworld and Logistics Ltd, (SSL) an operating company Sasape International Shipyard Limited (SISL) was incorporated in February 2011 to lease and operate the slipway facilities at Base 2 at Tulagi, Central Islands Province, formerly owned by Sasape Marina Company Limited, a company wholly owned by the Solomon Islands Government (SIG). These assets were purchased by SINPF after a successful joint bid was lodged by SSL and SINPF in 2010.

During 2013 the SINPF Board fully subscribed its allotted 882,834 shares by purchasing the remaining unsubscribed 880,334 shares at \$1 each. At 30 June 2014 SINPF has a 25% shareholding and is the owner of 882,834 shares.

The valuation of these shares as at 30 June 2014 amounts to \$25,000. The decrease in the value of the shareholding has been taken to the statement of changes in net assets.

#### **(v) 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 track 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 2014 the Fund has 1,496,866 units in UBS Australian Share Fund at the recorded price of \$12.17 per unit. During the year the Fund reinvested its quarterly distributions to purchase additional 50,283 units in the Fund under the Fund's Distribution Reinvestment Program (DRP).

The Fund continued to maintain the same level of units in Vanguard US 500 Stock Index Fund at 207,924, with a closing price of \$158 per unit recorded at the end of the year.

The Fund also maintained the same level of units in Vanguard European Stock Index Fund at 64,673 with a closing price per unit of \$151 at the end of the year.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 17. AMOUNT DUE BY SOLOMON ISLANDS GOVERNMENT (SIG) & EQUITY INVESTMENTS

#### (a) GOVERNMENT SECURITIES

	Jun-14	Jun-13
	\$	\$
<b>Government Securities</b>		
(i) Restructured Bonds	11,127,813	15,210,962
(ii) SIG Amortised Bonds	30,888,121	38,109,935
(iii) Soltai Amortized Bond	2,165,618	3,313,198
(vi) SICHE Bonds	2,725,402	3,808,006
<b>Total Government Securities (refer Note 6 (a) (i))</b>	<b>46,906,954</b>	<b>60,442,101</b>

#### (i) Amortized Restructured Bonds

On 15 July 2004 a Deed was signed by SI Government and bond holders (Judgement Creditors) for the amortization of restructured bonds that the Government owed and had fully defaulted on. Under the Deed it was agreed by the parties that the principal debts be rescheduled and repaid over 7 to 14 years. Based on the restructure new instruments on each amortized bonds were issued replacing the old certificates.

Upon the execution of the Deed, on the 15 July 2004, \$55.5 million owed to SINPF were restructured as follows:

- \$1.9 million was paid upfront as principal reduction; and
- The remaining principal of \$53.6 million was rescheduled into four new amortized bonds at 3.0% to 3.5% interest rates repayable over 7 to 14 years as shown below.

Principal	Term	Rate	Instalment	Maturity Date	Balance 30/06/2014
5,550,000	7 yrs	3.00%	59,138	15/07/2011	-
11,100,000	10 yrs	3.00%	97,732	15/07/2014	100,694
11,100,000	13 yrs	3.00%	78,089	15/07/2017	2,832,931
25,850,000	14 yrs	3.50%	53,009	15/12/2018	8,194,188
<b>53,600,000</b>			<b>287,968</b>		<b>11,127,813</b>

After 7 years monthly repayment on the 14 year bond will increase to \$248,721 until the debt is fully repaid.

The agreement provides for early repayment of outstanding principal provided the debts accrue no interest arrears, and such early principal repayments in aggregate shall not be less than \$5.0 million and such payments shall be paid to the bond holders pari passu in proportion to the aggregate face value of Restructuring Bonds held at the commencement of the Deed, 15 July 2004.

Under the Deed the original terms and conditions of restructuring Bonds that matured on 15 April 2001, 15 July 2002 and 15 April 2003 remained legally in force. However, subject to the compliance by the Government, the bond holders will not take any further steps to recover under the judgement and have agreed the present proceeding be adjourned sine die. In the event SI Government defaults under this Deed, by notice bond holders may re-activate the judgement and have proceedings brought for further judgement on the remaining tranches.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 17. AMOUNT DUE BY SOLOMON ISLANDS GOVERNMENT (SIG) & EQUITY INVESTMENTS (CONTINUED)

#### (a) GOVERNMENT SECURITIES (CONTINUED)

##### (ii) Amortized Treasury and Development Bonds

The Fund's investment in these securities consists of Bonds that were amortized on the Deed dated 2 December 2004 between SI Government and SINPF. The debts were rescheduled over 7 to 15 years as shown below.

Principal	Term	Rate	Installment	Maturity Date	Balance 30/06/2014
7,414,528	7 yrs	2.00%	94,665	15/11/2011	-
14,829,056	10 yrs	2.00%	136,447	15/11/2014	679,540
14,829,056	13 yrs	2.00%	108,029	15/11/2017	4,281,196
37,072,641	15 yrs	2.50%	77,234	15/11/2019	25,927,384
<b>74,145,281</b>			<b>416,375</b>		<b>30,888,120</b>

After 7 years monthly repayment on the 15 year bond will increase to \$426,478 until the debt is fully repaid.

The total principal amortized bond of \$74.1 million is made up of \$38.8 million converted from Treasury, Development and DBSI Bonds that were in default, and \$35.4 million in contribution arrears plus \$1.2m in surcharge arrears already booked and owing by the SI Government.

There is an option for early repayment on these bonds. In the event that additional principal early reductions are made, the repayment amounts shall be varied appropriately on each of the bonds based on the remaining terms.

##### (iii) SIG – Soltai (now Soltuna) Ammortising Bond

This debt relates to the Mortgage Debenture that Soltuna Limited (formerly Soltai Fishing and Processing) defaulted on which was settled and restructured by SI Government by a fresh Deed dated 31 March 2006.

Under the Deed \$10.0 million was amortised over 10 years at the interest rate equivalent to 90(91) day Treasury Bill weighted average yield. At the time the Deed was signed that rate was 5.02%. The sum of \$10.0 million is repayable over a 10 year period commencing on 1 April 2006 at \$106,163 per month. The remaining \$6.3 million from the original total published debt of \$16.3 million was settled up front in a lump sum payment at the signing of the Deed.

In relation to this same debt SINPF had earlier obtained judgement in its favour against Soltai, SIG and ICSI for the total sum of \$19.7 million. Under the Deed SINPF reserve its right to execute the judgement against Soltai, SIG and ICSI to recover the full judgement debt of \$19.7 million. SINPF will not require payment on the judgement sum if repayment of the Bond is not in default and Soltai, SIG and ICSI comply and fulfil their obligations under the Deed.

The Agreement provides for annual revision of interest on 1st April each year according to the Treasury Bills rate referred to above based on the last published Treasury Bill Auction results published prior to 1st April each year plus 1.5% but shall not exceed 7%.

The balance of the ammortising bonds as at the end of the year was \$2,165,618.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 17. AMOUNT DUE BY SOLOMON ISLANDS GOVERNMENT (SIG) & EQUITY INVESTMENTS (CONTINUED)

#### (a) GOVERNMENT SECURITIES (CONTINUED)

##### (iv) SIG – SICHE Amortising Bond

This debt relates to SICHE's contributions and surcharge arrears owing to the Fund for the period from July 1999 to December 2003. SICHE was not able to pay its debts to the Fund due to financial difficulties. It relied heavily on the Government to assist in the settlement of these debts. The aggregate arrears totalled \$9,522,946 comprising of:

- Contributions - \$3,494,628
- Surcharges - \$6,028,318

On 21st November 2006 the SI Government entered into a Deed with SINPF to settle the debts in full through a Bond. Under the Deed the debts were amortised over 10 years at the interest rate equivalent to 90(91) days Treasury Bill weighted average yield plus 2%. At the time the Deed was signed that rate was 5.5%.

The Agreement provides for an annual review of interest rate on 9 November each year according to the Treasury Bills rate referred to above based on the last published Treasury Bill Auction result published prior to 9 November each year plus 2% but shall not be less than 5% or more than 7%.

In addition, the Agreement provides for early repayments of the Bond on 9 November each year in multiples of \$2,000,000 with prior 90 days written notice.

The balance of the amortizing bond at the end of the year was \$ 2,725,403.

##### (v) Treasury Bills

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 \$19,593,150. These were mostly 91 days Treasury Bills at rates between 0.2% to 1.5%.

##### (vi) Tavanipupu Island Resort Limited –Loan Agreement

This loan relates to a five year loan agreement with Tavanipupu Island Resort that was entered into on 22 February 2012 and matures on 22 February 2017. Under the agreement interest at 12.5% is payable by Tavanipupu Island Resort annually in arrears on 15 June every year and the total loan amount of \$ 15,000,000 is repayable on 22 February 2017 as shown below.

No. of Instal.	Due Date	No. of Days	Loan Balance	Interest	Principal	Instalment Amount	YTD Balance
	23/02/12		15,000,000	-	-	-	15,000,000
1	15/06/12	113	15,000,000	578,893	-	-	15,000,000
2	15/06/13	365	15,000,000	1,875,000	-	-	15,000,000
3	15/06/14	365	15,000,000	1,875,000	-	-	15,000,000
4	15/06/15	365	15,000,000	1,875,000	-	-	15,000,000
5	15/06/16	366	15,000,000	1,875,000	-	-	15,000,000
6	22/02/17	252	15,000,000	1,294,520	15,000,000	-	15,000,000

**17. AMOUNT DUE BY SOLOMON ISLANDS GOVERNMENT (SIG) & EQUITY INVESTMENTS (CONTINUED)**

**(a) GOVERNMENT SECURITIES (CONTINUED)**

**(vi) Tavanipupu Island Resort Limited –Loan Agreement (continued)**

The agreement gives the option to the borrower of early redemption of the principal amount of the loan taking into account that such repayments will be charged with a 2% fee of the amount repaid by the borrower with a minimum reduction of \$2,000,000.

The agreement makes a further provision for any late interest payments by the borrower of an additional 1.5% per month on the amount remaining unpaid until paid in full. An additional default rate of 1% per month will be charged in addition to the applicable interest in force at time of default when the loan is called up and demanded to be paid in full. Any interest including default interest plus any default cost will be accruing and charged to the outstanding loan balance until settlement.

In the event of default by the borrower which is not remedied within 30 days after service of notice of default and requiring default to be rectified was effected on the borrower, the lender shall have the right to convert the debt into 51% equity in the company.

The loan has been put on Non Accrual basis as of July 2013, due to its non performing status.

**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.

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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) 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.

#### (b) 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 recognized in the statement of net assets.

Financial assets at fair value through statement of changes in net assets	Total	Level 1	Level 2	Level 3
<b>30 June 2014</b>				
<u>Equity investments</u>				
- Energy	638,598,300	-	638,598,300	-
- Telecommunications	375,474,499	-	342,798,300	32,676,199
- Tourism and hospitality	22,500,000	-	22,500,000	-
- Manufacturing	18,296,371	-	-	18,296,371
- Shipping	25,000	-	-	25,000
- Financial services and others	124,550,240	109,000,240	-	15,550,000
Total equity investments	1,179,444,410	109,000,240	1,003,896,600	66,547,570
Commercial papers and treasury bills	724,374,191	-	724,374,191	-
<b>Total financial assets at fair value through statement of changes in net assets</b>	<b>1,903,818,601</b>	<b>109,000,240</b>	<b>1,728,270,791</b>	<b>66,547,570</b>
<b>30 June 2013</b>				
<u>Equity investments</u>				
- Energy	625,500,000	-	625,500,000	-
- Telecommunications	329,700,000	-	329,700,000	-
- Tourism and hospitality	-	-	-	-
- Manufacturing	-	-	-	-
- Shipping	-	-	-	-
- Financial services and others	104,907,813	104,907,813	-	-
<b>Total</b>	<b>1,060,107,813</b>	<b>104,907,813</b>	<b>955,200,000</b>	<b>-</b>
Commercial papers and treasury bills	624,728,851	-	624,728,851	-
<b>Total financial assets at fair value through statement of changes in net assets</b>	<b>1,684,836,664</b>	<b>104,907,813</b>	<b>1,579,928,851</b>	<b>-</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 2014	June 2013
	\$	\$
Balance at 1 July	97,947,683	58,272,801
Fair value (losses) / gains *	(31,400,113)	-
Purchases	-	39,674,882
Disposals	-	-
<b>Balance at the end of the year</b>	<b>66,547,570</b>	<b>97,947,683</b>

\*These gains and losses are recognized in the statement of change in net assets as net gain from financial instruments at fair value through profit or loss.

#### (c) Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs as at 30 June 2014 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	<i>Market comparison technique:</i> The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected EBITDA of the investee. The estimate is adjusted for the effect of non-marketability of the equity securities.	- Forecast annual revenue growth rate	The estimated fair value would increase (decrease) if: - The annual growth rate were higher (lower); - The EBITDA margin were higher (lower); or - The adjusted market multiple were higher (lower).  Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin.
		- Forecast EBITDA margin - Adjusted market multiple	

#### (d) Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities including cash and cash equivalents whose carrying value approximates fair value.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 19. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. Those that may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early.

- (a) IFRS 9 Financial Instruments (2013), IFRS 9 Financial Instruments (2012) and IFRS 9 Financial Instruments (2009) (together, IFRS 9).
- (b) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

### 20. RECLASSIFICATIONS

The presentation of the prior year comparative figures has been amended by a number of reclassification to achieve consistency in presentation with the current year numbers and to fully comply with the requirements of IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. This reclassification has not resulted in any changes to the amount of benefit available to members.

Summary of quantitative impacts:

Statement of net assets As at 30 June 2013	As previously reported	Reclassifications	As currently reported
<b>Assets</b>			
Commercial papers and treasury bills <sup>1</sup>	639,728,851	(15,000,000)	624,728,851
Equity investments	1,170,010,601	-	1,170,010,601
Loans and advances <sup>1</sup>	87,783,592	15,000,000	102,783,592
Investment properties	212,438,000	-	212,438,000
Cash and cash equivalents	73,242,285	-	73,242,285
Receivables	119,655,313	-	119,655,313
Property, plant and equipment	77,750,915	-	77,750,915
<b>Total assets</b>	<b>2,380,609,557</b>	<b>-</b>	<b>2,380,609,557</b>
<b>Liabilities</b>			
Accounts payable	1,177,317	-	1,177,317
Other payables and accruals <sup>2</sup>	10,026,320	(3,997,583)	6,028,737
Employee entitlements	-	-	-
Allocated to members account <sup>3</sup>	1,693,478,795	(1,693,478,795)	-
Special death benefit <sup>4</sup>	2,107,241	(2,107,241)	-
<b>Total liabilities</b>	<b>1,706,789,673</b>	<b>1,699,583,619</b>	<b>7,206,054</b>
<b>Net assets available to pay members</b>	<b>673,819,884</b>	<b>(1,699,583,619)</b>	<b>2,373,403,503</b>
<b>Reserves</b>			
Allocated to members account <sup>3</sup>	-	1,693,478,795	1,693,478,795
Special death benefit <sup>4</sup>	-	2,107,241	2,107,241
Nominees trust <sup>2</sup>	-	3,997,583	3,997,583
Reserves	673,819,884	-	673,819,884
	<b>673,819,884</b>	<b>(1,699,583,619)</b>	<b>2,373,403,503</b>

Net assets available to pay members are represented by:

<sup>1</sup> Represents a reclassification from loans and receivables to commercial papers and treasury bills.

<sup>2</sup> Amounts held in trust for nominees reclassified to reserves.

<sup>3</sup> Member contributions accounts reclassified to reserves.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

<sup>4</sup> Special death benefits reclassified to reserves.

### 20. RECLASSIFICATIONS (CONTINUED)

Statement of changes in net assets For the year ended 30 June 2014	As previously reported	Adjustments	As currently reported
<u>Income</u>			
Interest income	21,914,723	-	21,914,723
Dividends	113,695,891	-	113,695,891
Net gain from changes in fair values	674,241,164	-	674,241,164
Rental income	26,224,322	-	26,224,322
Other income	3,983,653	-	3,983,653
<u>Expenses</u>			
Direct investment and operating expenses <sup>8</sup>	(51,586,315)	(12,449,916)	(64,036,231)
Members expense <sup>6</sup>	(2,594,431)	2,594,431	-
Doubtful debts <sup>8</sup>	(11,926,140)	11,926,140	-
<u>Member related income / expenses</u>			
Members contributions <sup>5</sup>	-	206,322,309	206,322,309
Benefits paid <sup>5</sup>	-	(89,873,103)	(89,873,103)
<u>Other items</u>			
Revaluation of property plant and equipment <sup>7</sup>	-	23,046,941	23,046,941
<b>Change in net assets during the period (Before appropriation)</b>	<b>773,952,867</b>	<b>141,566,802</b>	<b>915,519,669</b>

<sup>5</sup> Contributions received from members and benefits paid to members during the year as per requirements of IAS 26.

<sup>6</sup> Member expenses has been reclassified to benefits paid.

<sup>7</sup> Change in the value of property plant and equipment as a result of revaluation.

<sup>8</sup> Other reclassifications and adjustments in relation to presentation of expenses.

### 21. SUBSEQUENT EVENTS

There has not been any matter or circumstances that has 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.

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#### **HEAD OFFICE**

NPF Building  
P.O. BOX 619  
Mendana Avenue  
Honiara, Solomon Islands  
Telephone: (677) 21659 /21660  
Facsimile: (677) 20484  
SINPF website: [www.sinpf.org.sb](http://www.sinpf.org.sb)

#### **AUKI BRANCH**

P.O. Box 58  
Auki, Malaita Province  
Telephone: (677) 40290  
Facsimile: (677) 40033  
Email: [npfauki@sinpf.org.sb](mailto:npfauki@sinpf.org.sb)

#### **GIZO BRANCH**

P.O. Box 121  
Gizo, Western Province  
Telephone: (677) 60015  
Facsimile: (677) 60053  
Email: [gizonpf@sinpf.org.sb](mailto:gizonpf@sinpf.org.sb)

#### **AUDITORS**

Auditor General  
Office of the Auditor- General  
P.O.Box G18  
Mud Alley, Honiara  
Solomon Islands  
Telephone: (677) 28695

KPMG (Fiji)  
Jetpoint Complex  
Queens Road  
Martintar  
Nadi, Fiji