



**Vision** *Securing and Enhancing our Future*  
**Mission:** *Achieve Sustainable Growth through Real Return and Provision of Quality Services*

**OVERVIEW OF THE FUNDS FINANCIAL AND OPERATIONAL PERFORMANCE FOR THE 12 MONTHS PERIOD ENDING 30 JUNE 2022: BY SINPF CEO/GENERAL MANAGER, MIKE WATE: 30 SEPTEMBER 2022**

***Salutations***

The Acting Minister of Finance and Treasury, Hon Dr Culwick Togamana  
The Acting Governor of the Central Bank of Solomon Islands, Mr. Raynold Moveni  
The Permanent Secretary of the Ministry of Finance & Treasury, Mr. Mckinnie Dentana.  
Deputy Chairman and Members of the SINPF Board.  
Management team of the Fund  
Members of the Media.

Last year the Board declared a 6.0% crediting rate for its members for the period ending 30 June 2021. It was done on the back of a strong turnaround in our national and global economy as we learn to live with and have more knowledge on the pandemic. The Board made both positive cash incomes from our investments and revaluations gains from our unlisted equities and offshore traded equities.

As we close our financial year end on 30 June 2022, these positive gains quickly evaporated with; 1) the November 2021 riots, 2) the COVID-19 community transmission in January 2022, when lockdowns and restrictions were imposed during these 2 periods, 3) supply chain challenges, 4) the impact of the Russian Ukraine war on energy and food prices and financial markets, and the 5) increased sovereign risk for Solomon Islands, due to the November 2021 riots.

Though the Fund's draft cash incomes reached more than \$174.5 million from cash dividends, interest and rentals and is cash profit after expenses of more than \$72 million, large revaluation losses from our unlisted equities and traded listed equities due to the above external events eroded these cash gains resulting in an overall revenue loss for the Fund of \$173 million.

**2021 and 2022 Draft Audited Financial Statements**

We are now finalizing our 2021 audited financial accounts and expected to be signed off at the end of next month whilst at the same time progressing our 2022 financial audit.

## **Financial Performance**

The Fund has achieved an above budget cash income for the year with an expected large unrealized losses from our unlisted equities, traded offshore investments and negative exchange rate movements that affected our overall financial performance for the year.

- 1) We have strong dividends from South Pacific Oil Limited \$50 million, Solomon Telekom Company Limited \$39.4 million, BSP Financial Group Ltd \$10.1 million, and UBS Australian Share Fund \$2.3 million.
- 2) Interest of \$9.7 million from our subsidiary companies Heritage Park Hotel Limited, Soltuna Ltd, Solomon Telekom Company Limited, Solomon Submarine Cable Company Ltd, Loloata Island Resort, and Solomon Housing Limited
- 3) Strong Interest of \$10.82 million from our long-dated Government development bonds,
- 4) Rental of \$34.6 M with the commencement of rental for the recently completed refurbished Anthony Saru building and improving rental from our Hibiscus apartments.

Though the annual valuations of our key investment assets South Pacific Oil Limited, Solomon Telekom Company Limited, and Soltuna Ltd significantly declined, these investee companies closed their latest financial year with robust trading results.

HPHL made a strong recovery in the 1<sup>st</sup> half of 2022 whilst Solomon Housing Limited sale of new homes stalled due to limited effective demand.

BSP Financial Group Limited (formerly known as Bank South Pacific (BSP) and group) returned its highest profit after tax ever in 2021

Relatively new investments Solomon Islands Submarine Cable Company Ltd (2018 – due to strategically low pricing – to increase broadband uptake) and Loloata Island

Resort Ltd (2019 due the closure of borders and movement restrictions), have not yet commenced making returns to the Fund.

Returns from these assets are expected in the next financial year for LIR and in 2024 for SISCCL.

## **Membership**

5,261 new members were registered during the year, down from the previous year's level of 5,967. This downward trend started in 2020 with the commencement of the covid-19 pandemic. Total membership with credit balance slightly increased to 145,977 members up from 144,198 recorded in the previous year.

Contributions received from employers and members increased to \$353.1 million up from \$344.2 million in 2021.

Total member contributions balance therefore increased to \$3.4 billion from \$3.3 billion in 2021.

Active contributing members slightly declined to 55,632 from 57,530 recorded in the previous year. This downward trend also started in 2020 when our economy started losing its steam.

Active members hold a total contribution balance of \$2.8 billion up from \$2.6 billion in 2021.

## **Member Benefit Payments**

A total of 6,695 benefits were paid out to members during the year under the formal sector. This is in comparison to the previous number of 8,371 benefits paid in the previous year.

The large bulk of the 2022 benefits payments were made to retiring members 50 years and above for \$202.8 million.

The total member benefit payout increased to \$326 million on the previous year level of \$324 million.

Members and employer Incoming contributions increased by 3% to \$353.1 million against 2021 incoming contributions of \$343 million.

## **Employers**

New employers registered during the year fell significantly to 78 down from the previous year level of 218, reflecting the continued slowdown in our economy.

## **The informal sector – youSave**

As at 30 June 2022 total youSave membership has reached 33,040 members up from 28,483 members in 2021 with gross savings of \$39.2 million (2021 \$29 million) and net savings of \$27 million (2021 \$21.8 million). 4,557 new members were onboarded in the year.

Incoming new contributions for the informal sector declined by 12.8% from the previous year of \$11.7 million to \$10.2 million in 2022.

6,004 benefits were paid out to youSave members an increase from 5,030 worth \$5.9 million (2021 \$3.5 million) mostly using funds from their general accounts.

## **The Fund's Liquidity for new investments**

During the year the Board recorded a positive net contribution of \$32.5 million after adjusting for member withdrawals. This is slightly up on 2021 level of \$31.7 million.

The overall free cash settled at \$240.8 million at the end of 2022 down from \$260 million recorded in 2021 with just under \$20 million used for new investment activities.

## **New Investments**

This financial year has been one of markets up and down both globally and locally, creating uncertainties in an already challenging investment environment for the Fund to carry out its planned investment activities.

Domestically, amidst the limited available investment opportunities, the Board approved a total of \$20 million new term deposit placements; \$10million with Pan Oceanic Bank (POB) and \$10million with its new wholly own Credit Financial Institution, Solomon Finance Ltd (Our Finance) at the industry's best premium rates of 3.0% and 3.5% respectively.

The Board purchased a new long-term development bond of \$120 million during the year. The Board sold its previously acquired \$60 million development bond to the Central Bank of Solomon Islands (CBSI) to part finance the purchase of this new bond priced at the same coupon rate of 5%.

The Board also financed a shareholder's loan of \$13.4m to its subsidiary Solomon Telekom Ltd during the year at an interest rate of 5%.

Against a backdrop of extreme external market volatility and capturing the opportunity left by the steep share market falls, the board purchased additional euro units in the listed Euro Vanguard Index Funds totalling around \$9.4m. This was financed from the Fund's ANZ Singapore EURO cash account.

### **The Fund's Asset Value**

The funds asset has declined by 5.9 % from 2021 value of \$3.935 billion to \$3.700 billion in 2022. This is mainly due the large negative 2022 annual valuations mentioned earlier in this report.

### **Implementation of existing and approved projects and disposal of assets**

The Auki, Malaita Province Solomon Telekom Sales Office building was opened in October 2021 with 2 anchor tenants moving in December 2021. The property is the first SINPF formal investment in Malaita Province.

Solomon Finance Limited trading as Our Finance open its doors for business in March 2022 with new loans being accepted for consideration from eligible members.

Construction of the \$116 million DFAT town houses and the executive apartments expansion commenced in April 2022 after a construction agreement was signed with Hatanga Limited the successful bidder for the project.

The Board with the support of the International Finance Corporation (IFC) of the World Bank Group completed the feasibility of developing its 90 hectares land bank at Panatina for the development of homes for members. A business case has been presented to the Board in this new financial year and is socialised with potential stakeholders for support.

The IFC also provided support to the Board for its derisking options in SPOL during the year and we will also expect a completion of that work in this financial year.

## **Outlook**

The Solomon Islands economy had declined by 3.4% in 2020, negative 0.6% in 2021 and is expected to fall further in 2022 from a low of -4% to -7%.

Downside global risks had increased with the global economy expected to go into a recession as the war in Ukraine continue and high inflation from increase energy and food prices.

The offshore financial markets we have exposures in had and will remain volatile.

Despite these risks and challenges, the Board is confident that our economy will be resilient as investments for the PG23 intensifies, major infrastructure projects come on line and being implemented and renewed focus on our country from major countries of the world.

The lifting of international and our national borders will provide the opportunity for one of our key sources of economic growth; tourism, to rebound.

## **Acknowledgement**

In closing, I on behalf of the Board would like to acknowledge the support and cooperation from the following;

- 1) The Minister, Permanent Secretary and senior officials of the Ministry of Finance and Treasury
- 2) The Governor and senior officials of the Central Bank of Solomon Islands (CBSI)
- 3) The Board and Senior officials of our investee companies (SPOL, STCL, Soltuna, Solomon Homes, Bank South Pacific, Loloata Island Resort, Solomon Submarine Cable Company, and Solomon Finance)
- 4) All employers and their associations

5) All employees and their unions

6) The IFC of the World Bank and Group

7) The UNDCF of the United Nations

8) And to all those institutions and organizations' that we have missed in mentioning above.

Thank you so much for listening and for your attention.

God Bless SINPF, God Bless Solomon Islands from shore to shore.