



**OVERVIEW OF THE FUNDS FINANCIAL AND OPERATIONAL PERFORMANCE
FOR THE 12 MONTHS PERIOD
ENDING 30 JUNE 2023:
BY SINPF CEO/GENERAL MANAGER, MIKE WATE:
30 SEPTEMBER 2023
12 NOON
HERITAGE PARK HOTEL LTD**

Salutations

The Minister of Finance and Treasury, Hon Harry Kuma

The Governor of the Central Bank of Solomon Islands, Dr. Luke Forau

The Permanent Secretary of the Ministry of Finance & Treasury, Mr. Mckinnie Dentana.

Chairman, Deputy Chairman and Members of the SINPF Board.

CEO and Managers of SINPF subsidiaries – South Pacific Oil Limited, Solomon Telekom Company Ltd, Bank South Pacific Limited, Heritage Park Hotel Limited, Solomon Islands Submarine Cable Company Limited, Soltuna Ltd, Solomon Housing Ltd and Solomon Finance Ltd.

Chairman and CEO, Solomon Islands Chamber of Commerce and Industry

Presidents of Key Unions in Solomon Islands

Management team of the Fund

Members of the Media.

Last year the Fund made an investment loss of just over \$200 million on account of a large unrealized revaluation loss of \$374 million from parts of our international listed equities and unlisted domestic equities. The Board has to dig deep into its reserves to fund the 2.65% crediting to its members, declared and paid on 30 September 2022.

Today based on our unaudited numbers, the Fund's investment financial performance for the year ended 30 June 2023 has rebounded positively against the

backdrop of an improved global economic and financial markets performance and the progressive recovery of our economy.

A: 2023 Financial Performance

For the financial year ending 30 June 2023, the Fund has achieved an unaudited cash income for the year of \$198.7 million against a cash budget income of \$ 173.9 million. This result is also above the actual 2022 Financial year cash revenue of \$166.5 million and is driven by the following;

- 1) We have received strong dividends from South Pacific Oil Limited of \$55 million, Solomon Telekom Company Limited \$53.5 million, BSP Financial Group Ltd \$10.5 million, UBS Australian Share Fund \$2.6 million, Solomon Islands Submarine Cable Company Ltd \$800,000 and Soltuna Ltd \$700,000.
- 2) Interest of \$8.6 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) A strong Interest of \$17.7 million from our long-dated Government development bonds and treasury bills.
- 4) Interest on both domestic and international fixed term deposits of \$12.7 million, an increase of just under 90% above 2022 amount of \$6.7 million as interest rates on offshore TD's increased.
- 5) A rental of \$35 million that could have ended higher but was impacted by damages sustained by the Anthony Saru Building during the November 2022 earthquake that affected tenants to temporarily closed their offices. This result though was just slightly above the previous year rental of \$34.6 million.
- 6) Other income for surcharges and miscellaneous income of \$8.6 million was also achieved.
- 7) A positive net revaluation gains of \$131.2 million is recorded from our listed offshore equities, unlisted domestic equities and domestic investment properties against our 2022 revaluation loss of \$374 million. Our key domestic equity investments South Pacific Oil Limited and Solomon Telekom Company Ltd valuations on the back of strong business performances together with our offshore equities in the USA, Europe, Australia, and Papua New Guinea, all

achieve positive revaluation gains. Our offshore equity investments recorded improved share and unit prices and positive exchange rate movements.

With these key drivers the Board during 2023 achieve a total revenue of \$338.7 million and after deducting for operational, finance, and direct investment costs made an operating profit of \$248.2 million, available for distribution to members.

B: Membership

5,888 new members were registered during the year, up from the previous year's level of 5,261. This is a positive outcome as this reverses the downward trend that started in 2020 with the commencement of the covid-19 pandemic, the effects of the November 2021 Honiara riots and the Ukraine war. Total membership with credit balance slightly increased to 147,244 members, up from 145,977 recorded in the previous year.

Contributions received from employers and members increased to \$409.6 million up from \$365.3 million in 2022 recording an increase of 12%.

Total member contributions balance therefore increased to \$3.5 billion from \$3.4 billion in 2022.

Active contributing members slightly declined to 55,612 from 55,632 recorded in the previous year. This downward trend started in 2020 when our economy started losing its steam.

Active members hold a total contribution balance of \$2.8 billion, around the same level as was in 2022.

C: Member Benefit Payments

A total of 7,575 benefits worth \$390 million were paid out to members during the year under the formal sector. This is an increase both in number and value terms of 6,695 benefits worth \$332 million recorded in the previous year.

The large bulk of the 2023 benefits payments were made to retiring members 50 years and above for \$235.1 million.

A net contribution of \$44.25 was recorded between incoming contributions against member withdrawals for the year.

D: Employers

New employers registered during the year improved to 172 up from the previous year level of 78, reversing the slowdown in new employer registration in our economy over the past 3 years.

E: The informal sector – youSave

As at 30 June 2023 total youSave membership has reached 37,645 members up from 33,040 members in 2022 with gross savings of \$69.5 million and net savings of \$33.7 million. 4,617 new members were on boarded in the year compared to new members of 4,557 registered in 2022.

Incoming new contributions for the informal sector improved by more than 196% from the previous year of \$10.2 million to \$30.2 million in 2023.

8,667 benefits were paid out to youSave members worth \$24 million in the year. This is an increase both in number and value compared to 6,004 benefits valued at \$5.9 million. Informal members mostly drew funds from their general accounts.

F: The Fund's Liquidity for Member withdrawals and New Investments

During the year the Board recorded a positive net contribution of \$44.25 million after deducting for member withdrawals. This is slightly up on 2022 level of \$32.5 million.

This means that all member withdrawal benefits are financed from incoming contribution whilst funds from investment activities are used to finance new investments and meet board costs.

The overall cash and cash equivalents settled at \$205.7 million at the end of 2023 down from \$240.8 million recorded in 2022. The slight reduction is attributable to the placement of new fixed deposits domestically and internationally, purchased of new \$100 million development bonds and the implementation of the new DFAT and Hibiscus Apartment Expansion.

G: New Investments

With the expected recovery of the Solomon Islands economy in 2023 after 3 years of economic protraction from 2020 to 2022, increasing investments for the PG23 infrastructure and its hosting, and the reopening of the international borders on 1st July 2022, has brought back confidence for the Board to consider new investments.

The Board placed up to \$30 million in new term deposits with newly established wholly owned Solomon Finance Limited for its lending after it opened its doors for business in the 2nd half of the Fund's 2021/2022 financial year.

The Board approved a total of \$100 million to purchase a series of long-term development bonds ranging from 2 to 15 years at competitive interest rates and yields.

Taking advantage of major developed economies (Australia, USA, Great Britain, and Europe) increases in official cash rates to combat high inflations in these countries, the Board converted part of its bank cash deposits into fixed term deposits earning higher yields above our target rate of 2.5%.

The Board converted part of its Kina cash holdings from BSP annual dividends to finance short term government papers worth just under K5 million to earn higher yields compared to interest on bank deposits.

The Board converted \$28.6 million, a portion of its dividend declared by Solomon Telekom Board into a shareholder's loan and is priced at 5%.

The Board continued on financing the implementation of the \$116 million DFAT and Hibiscus Executive Apartment project.

H: The Fund's Asset Value

The fund's net asset has increased by 11% from 2022 \$3.6 billion to \$4.0 billion in 2023. This is mainly due to the positive investment performance of the Fund and strong the strong annual revaluation surplus recorded as at 30 June 2023.

I: Implementation of existing and approved projects and disposal of assets

Construction of the \$116 million DFAT town houses and the executive apartments expansion is in progress and is 43% complete. Completion is expected towards the end of 2024.

The Board has commenced the implementation of investing in a new 4 level commercial building at its ex-Home Finance property on the Hibiscus Avenue adjacent to the Qoloni building. The project is now at Tender Evaluation stage after opening of tenders.

The strategic disposal of the Tulagi properties that include a slipway and 2 residential properties for \$30 million is progressing with a settlement expected in October 2023.

The Board is continuing to deal with its investment asset at Tavanipupu Island Resort Ltd to turn around the performance of the asset after the closure of the Marau Airport for more than a year now. SINPF and the lessee of Tavanipupu resort has been in discussions with landowners of part of the airport for the reopening of the airport.

J: Outlook

The Solomon Islands economy is expected to bounce back this year with an expected growth of under 3% for 2023 and with a dip expected next year after the PG23 and thereafter regaining in 2025 to high 2%.

We noted in July 2023 the Solomon Islands Sovereign Credit Risk Rating has improved and this will have a positive impact on the fair value revaluations of our unlisted domestic equities and other financial reporting standards that use the government rating as one of the reporting basis.

Downside risks in the global and in our national economy remains volatile with the Board's strategic efforts and plans aimed at mitigating their impacts on the Fund's performance.

K: Acknowledgement

In closing, 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, Heritage Park Hotel Limited, Soltuna, Solomon Homes, BSP Financial Group, Loloata Island Resort, Solomon Submarine Cable Company, and Solomon Finance)
- 4) The Auditor General and Senior Members of the OAG
- 5) Our contracted external Auditors Fiji based PWC.
- 6) All employers and their associations
- 7) All employees and their unions
- 8) The IFC of the World Bank and Group
- 9) The UNDCF of the United Nations

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

Thank you so much for your time and your attention.

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