

**SOLOMON ISLANDS  
NATIONAL PROVIDENT FUND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

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

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

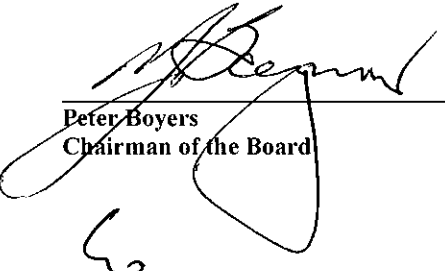
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**Statement By Directors**


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

  
Peter Boyers  
Chairman of the Board

  
Dr Aaron Oritaimae  
Deputy Chairman

  
Michael Wate  
General Manager (CEO)

Dated at Honiara this 30<sup>th</sup> day of September 2019.



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

*Opinion*

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

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

*Basis for Opinion*

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

*Independence*

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

*Other Information*

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

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

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

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

### *Responsibilities of Board Members and Management for the Financial Statements*

Board members and Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

In my opinion:

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



Peter Lokay  
Auditor General  
30<sup>th</sup> September 2019

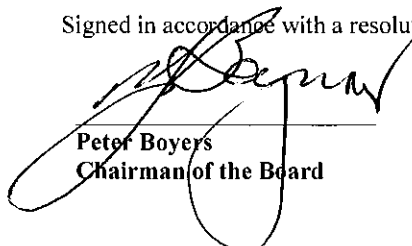
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Honiara, Solomon Islands

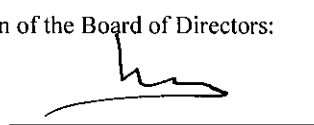
**SOLOMON ISLANDS NATIONAL PROVIDENT FUND  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
AS AT 30 JUNE 2019**


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

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

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

  
Peter Boyers  
Chairman of the Board

  
Dr Aaron Oritaimae  
Deputy Chairman

  
Michael Wate  
General Manager (CEO)

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

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

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



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

	Note	June 2019 \$	June 2018 \$
<b>Cash flows from operating activities</b>			
Contributions from members and employers		318,894,604	297,452,651
Interest received		27,469,994	28,522,063
Dividends received		101,851,346	105,562,315
Rentals received		20,843,996	20,882,710
Other income received		8,593,759	5,291,933
Benefits paid to members		(284,744,029)	(270,109,815)
Payments to suppliers and employees		(54,431,900)	(71,772,904)
Net acquisition of commercial paper, treasury bills and government bonds		(51,807,313)	(61,536,912)
Loans and advances provided		1,500,266	17,180,500
Net acquisition of shares		(145,897,685)	(33,909,958)
Acquisition of investment properties		(86,428,120)	(13,959,016)
<b>Net cash flows generated from operating activities</b>		<b>(144,155,082)</b>	<b>23,603,567</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property plant and equipment		14,547	1,982,772
Acquisition of property plant and equipment		(29,373,727)	(8,237,581)
Acquisition of intangible assets		(41,266)	-
<b>Net cash flows used in investing activities</b>		<b>(29,400,446)</b>	<b>(6,254,809)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(173,555,528)</b>	<b>17,348,758</b>
Cash and cash equivalents at the beginning of the year		384,636,831	367,288,073
<b>Cash and cash equivalents at the end of the year</b>	13	<b>211,081,303</b>	<b>384,636,831</b>

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

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

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**1. GENERAL INFORMATION**

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

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

Benefits from the Fund are paid to members on attaining the age of 50 years, on death, when members are physically or mentally incapacitated from further employment, permanent emigration or attaining the age of 40 years and have permanently retired. In general the benefits paid to members are equal to their accumulated contributions plus interest allocated to them annually by the Board (refer note 2 (f) below). In addition, on death of a member, the beneficiary of the deceased member's estate is paid a special death benefit.

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

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

**2. STATEMENT OF ACCOUNTING POLICIES**

**(a) Basis of preparation**

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

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

**(b) Standards, amendments and interpretations issued**

*Standards, amendments and interpretations issued but not yet effective*

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

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

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

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

**SOLOMON ISLANDS NATIONAL PROVIDENT FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**2.1 Changes in accounting policies and disclosures**

*Changes in accounting policies*

**IFRS 9 Financial Instruments**

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

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

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

***Classification of financial assets and financial liabilities***

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

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

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

***Impairment of financial assets***

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

***Transition***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Reconciliation of impairment allowance balance from IAS 39 to IFRS 9**

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

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

**IFRS 15 Revenue from Contracts with Customers**

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

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

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

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**2.2 Summary of significant accounting policies**

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

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

***Initial recognition and measurement***

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**Financial assets**

***Classification and subsequent measurement***

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

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

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

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

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

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

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

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

***Business model assessment***

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

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

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

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

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

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

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

*Subsequent measurement and gains and losses*

*Financial assets at FVTPL*

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

*Financial assets at amortised cost*

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

*Debt investments at FVOCI*

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

*Equity investments at FVOCI*

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

**Impairment**

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

No impairment loss is recognised on equity investment.

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

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

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

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

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

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

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

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

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

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

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

*Measurement of ECLs*

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

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

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

*Credit-impaired financial assets*

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

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

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

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

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

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



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***Write-off***

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

***Derecognition***

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

***Modification of financial assets***

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

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

**Financial liabilities**

***Classification, subsequent measurement and gains and losses***

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

***Derecognition***

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

**Offsetting**

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

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**(b) Financial instruments (before 1 July 2018)**

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

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

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

*Financial assets at fair value through changes in net assets*

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

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

*Held to maturity financial assets*

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

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

*Loans and receivables*

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

*Impairment of financial assets carried at amortised cost*

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

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

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

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

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

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

**(c) Use of judgments and estimates**

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

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

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

**(d) Members contribution**

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

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

**(e) Special death benefit (SDB)**

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

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**(f) Nominee trust account**

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

**(g) Interest on members account**

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

**(h) Property, plant and equipment**

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

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

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

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

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

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

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

Buildings	5%
Machinery equipment and motor vehicles	25%
Furniture, fittings, computer and other equipment	25%
Leasehold improvements	Lower of term of lease or estimated useful life

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**(i) Impairment of non-financial assets**

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

**(j) Income tax**

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

**(k) Cash and cash equivalents**

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

**(l) Foreign currency**

Functional presentation currency

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

Transactions and balances

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

**(m) Provisions**

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

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

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

**(n) Other payables and accruals**

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

**(o) Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the changes in net assets in the period in which they arise.

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

**(p) Revenue recognition**

Interest income

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

Property rentals

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

Dividend Income

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

**(q) Expenses**

Benefits paid

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

Other expenses

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

**(r) Employee entitlements**

Wages and salaries and sick leave

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

Long service leave, gratuity benefits and retirement benefits

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

**(s) Intangible assets**

IT software

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

Asset	Rate
Computer Software	10%

**(t) Comparative**

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

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**3. INCOME AND EXPENSES**

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

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**3. INCOME AND EXPENSES (Continued)**

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

**4. NET ASSETS AVAILABLE TO PAY BENEFITS**

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

- Revaluation Reserve  
Revaluation of land and buildings (excluding investment properties) was carried out on 15 June 2018. The revaluation surplus/loss is credited to the revaluation reserve. The next revaluation of the land and buildings is expected to be carried out in the 2021 financial year.
- General Reserve  
Income less normal operating expenses are credited to the General Reserve unless otherwise appropriated.

The following items are credited to this reserve each year:

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



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

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

	June 2019 \$	June 2018 \$
<b>(a) Net assets available to pay benefits</b>		
Net assets available to pay benefits	3,711,254,599	3,364,895,523
<b><u>Represented by:</u></b>		
Allocated to members' account	2,988,206,395	2,951,878,406
Special death benefit	3,103,741	(394,215)
Nominees trust	7,043,535	7,302,076
Reserves	712,900,928	406,109,256
	3,711,254,599	3,364,895,523
In November 2018, National Parliament of Solomon Islands made amendments to the Solomon Islands National Provident Act whereas the Fund Board is to declare a rate of interest in respect of that financial year at or before the end of September in each year. Accordingly no allocation to members accounts were made out of reserves during the year relating to the performance of the Fund for the year ended 30 June 2019 which is different from prior years.		
<b>(b) Liability for accrued benefits</b>		
Balance at the beginning of the year	2,951,878,406	2,760,786,174
Contributions received from members and employers	312,501,429	295,731,636
Interest credited to members accounts	-	160,499,937
Benefits paid – withdrawals (refer Note 3(h) )	(275,933,010)	(263,208,768)
Transfer to nominees trust accounts (refer Note 4(d) )	(972,074)	(1,877,392)
Transfer to special death benefits (refer Note 4(c) )	(4,106,702)	(655,603)
Forfeited contributions transfer to general reserve (refer Note 4(e) )	(1,554,829)	(1,599,348)
Contributions received from members – YouSave	6,393,175	1,721,015
Other transfers / adjustments including Yousave	-	480,755
Balance at the end of the year	2,988,206,395	2,951,878,406
<b><u>Represented by:</u></b>		
Allocated to members' accounts	2,960,621,916	2,924,510,852
Unidentified	27,584,479	27,367,554
	2,988,206,395	2,951,878,406
<b>Contribution revenue</b>		
Contributions received from members and employers	312,501,429	295,731,636
Contributions received from members – YouSave	6,393,175	1,721,015
Total	318,894,604	297,452,651
<b><u>Represented as:</u></b>		
Allocated members' contributions	311,466,540	279,817,573
Unallocated contributions	7,428,064	17,635,078
	318,894,604	297,452,651

**SOLOMON ISLANDS NATIONAL PROVIDENT FUND**  
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**4. NET ASSETS AVAILABLE TO PAY BENEFITS (CONTINUED)**

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

**SOLOMON ISLANDS NATIONAL PROVIDENT FUND**  
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**5. RECEIVABLES**

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

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

**6. INVESTMENTS**

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

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

**SOLOMON ISLANDS NATIONAL PROVIDENT FUND**  
**STATEMENT OF CASH FLOWS**  
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**6. INVESTMENTS (CONTINUED)**

**(b) Financial Assets carried at amortised cost**

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

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

The movement in commercial paper and treasury bills is as follows:

Opening balance	736,379,864	675,400,680
Net movement during the year	50,008,359	66,892,090
Foreign exchanges differences during the year (unrealised)	(2,596,762)	(5,912,906)
Balance at the end of the year	783,791,461	736,379,864

Movement in impairment allowance:

Balance at 30 June	-	-
IFRS 9 opening adjustment (Note 2.1.a)	(4,450,106)	-
Reversal of impairment allowance	132,321	-
Balance at the end of the year	(4,317,785)	-

**(ii) Loans and advances**

- Commercial loans – Private entities	4,139,581	4,832,019
– Related parties (refer Note 9(b))	130,118,796	114,904,701
- Member schemes	3,321,193	3,759,897
- Staff schemes	2,539,868	2,453,676
Total gross loans and advances	140,119,438	125,950,293
Less: Impairment allowances	(7,759,898)	(7,879,880)
<b>Net loans and advances</b>	132,359,540	118,070,413

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

Movement in impairment allowance:

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

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

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

**6. INVESTMENTS (CONTINUED)**

	June 2019 \$	June 2018 \$
<b>(iii) Government bonds</b>		
Government bonds – Related party (refer Note 17(a))	150,000,000	150,000,000
Less: Impairment allowance	(625,500)	-
<b>Net government bonds</b>	<u>149,374,500</u>	<u>150,000,000</u>
<u>Movement in impairment allowance</u>		
Balance at 30 June	-	-
IFRS 9 opening adjustment (refer Note 2.1.a)	(625,500)	-
Impairment loss recognised	-	-
Balance at end of the year	<u>(625,500)</u>	<u>-</u>

**SOLOMON ISLANDS NATIONAL PROVIDENT FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**7(a) PROPERTY, PLANT AND EQUIPMENT**

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

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

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

**SOLOMON ISLANDS NATIONAL PROVIDENT FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**7(b) INTANGIBLE ASSETS**

	<b>Computer Software</b>
<b>Cost</b>	<b>\$</b>
Balance as at 1 July 2018	14,224,483
Additions	41,266
Adjustment	(102,584)
Balance as at 30 June 2019	14,163,165
<b>Amortisation and impairment</b>	
Balance as at 30 June 2019 and charge for the year	(1,412,190)
<b>Carrying amount</b>	
At 1 July 2018	14,224,483
At 30 June 2019	12,750,975

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

	June 2019 \$	June 2018 \$
<b><u>(a) Other payable and accruals</u></b>		
Rental bond	3,865,448	3,786,471
Other accruals	6,365,047	3,411,896
	10,230,495	7,198,367
<b><u>(b) Employee entitlements</u></b>		
<i>(Provision for early retirement benefits, annual leave and long service leave)</i>		
Current	8,979,173	11,735,729
Non-current	9,931,103	19,121,536
	18,910,276	30,857,265
<b><u>Movement in employee entitlements:</u></b>		
Balance at the beginning of the year	30,857,265	33,736,613
Created during the year	3,521,393	970,356
Utilised during the year	(15,468,382)	(3,849,704)
Balance at the end of the year	18,910,276	30,857,265

**9. RELATED PARTIES**

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

Related party disclosures requires the disclosure of information relating to aggregate compensation of key management personnel. The key management personnel of the Fund are members of the Fund's Board and senior staff who have responsibility for planning, directing and controlling the activities of the Fund. In 2019, this group comprises of 19 individuals, including the General Manager (CEO), 9 non-executive Board Members, and 9 senior staff. Fees of the non-executive members of the Fund Board are determined by the Minister of Finance. The 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.



**SOLOMON ISLANDS NATIONAL PROVIDENT FUND**  
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**9. RELATED PARTIES (CONTINUED)**

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

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

The specified executives of the Fund during the year were:

<b>Names</b>	<b>Position</b>
1. Michael Wate	General Manager and CEO
2. Ruth Alepio	Board Secretary
3. Manasseh Taloafiri	Manager Human Resource & Corporate services
4. Suzanne Orudiana	Manager IT
5. Aluta Kakadi	Manager Employers and Members services
6. Areau Hivu	Manager Internal Audit
7. Ishmael Kako	Manager Legal Counsel – contract lapse 17 October 2018.
8. Rose Karoa	Manager Finance
9. Jennifer Lakoa	Manager Investment
10. Bennett Pitakia	Manager Property - contract lapse 16 Nov 2018.

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

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

**SOLOMON ISLANDS NATIONAL PROVIDENT FUND**  
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**9. RELATED PARTIES (CONTINUED)**

**(a) Key management personnel (continued)**

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

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

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

**(b) Related party transactions and balances**

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

**Loans and advances to related parties**

Soltuna Company Limited	38,475,344	20,382,905
Heritage Park Hotel Limited	23,878,621	25,109,148
Solomon Telekom Company Limited	41,976,291	54,260,381
South Pacific Oil Limited	10,119,129	15,152,267
Solomon Oceanic Cable Company Limited	15,669,411	-
<b>Total loans and advances to related parties (refer Note 6(b)(i))</b>	<b>130,118,796</b>	<b>114,904,701</b>

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

**Dividend receivables from related parties**

Solomon Telekom Company Limited	16,956,996	21,437,625
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**Commercial paper and treasury bills to related parties**

Solomon Islands Home Finance Limited - debenture	6,500,000	6,500,000
Soltuna Company Limited - debenture	20,486,900	20,486,900
<b>Total commercial paper and treasury bills to related parties (refer Note 6(a)(i))</b>	<b>26,986,900</b>	<b>26,986,900</b>

**Held-to-maturity to related parties**

Solomon Islands Government - gross	150,000,000	150,000,000
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During the year, the Fund entered into various transactions with related parties. The aggregate value of transactions with related parties during the year is as follows:

**Dividend income**

Solomon Telekom Company Limited	16,956,996	11,678,462
South Pacific Oil Limited	70,000,000	73,000,000
<b>Total dividend income from related parties</b>	<b>86,956,996</b>	<b>84,678,462</b>

**Interest income**

Soltuna Company Limited	4,523,449	3,597,203
South Pacific Oil Limited	804,392	1,130,786
Solomon Islands Home Finance Limited	585,000	520,098
Solomon Telekom Company Limited	2,219,917	2,979,138
Solomon Islands Government	9,807,000	9,807,000
Heritage Park Hotel Limited	3,067,080	1,930,696
<b>Total interest income from related parties</b>	<b>21,006,838</b>	<b>19,964,921</b>

**SOLOMON ISLANDS NATIONAL PROVIDENT FUND**  
**STATEMENT OF CASH FLOWS**  
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**10. AUDITORS REMUNERATION**

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

**11. GOING CONCERN**

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

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

**12. CONTINGENT LIABILITY**

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

**13. CASH AND CASH EQUIVALENTS**

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

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

**14. EMPLOYEES**

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

**15. FINANCIAL INSTRUMENTS**

**Financial risk management**

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

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**15. FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Credit risk**

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

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

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

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

**Amounts arising from Expected Credit Loss (ECL)**

***Inputs, assumptions and techniques used for estimating impairment.***

See accounting policy in Note 2.2 (a).

***Significant increase in credit risk***

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

***Generating the term structure of Probability of Default (PD)***

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

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

***Determining whether credit risk has increased significantly***

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

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*Modified financial assets*

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

*Definition of default*

The Fund considers financial assets to be in default when:

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

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

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

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

*Incorporation of forward-looking information*

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

*Measurement of ECL*

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

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

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

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

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

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

*Cash and cash equivalents, debt securities*

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

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*Loans and advances*

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

**Concentration of credit exposure**

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

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

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

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

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

Assets	June 2019		June 2018	
	\$	%	\$	%
Commercial paper, treasury bills and government bonds	933,165,961	71%	886,379,864	63%
Loans and advances	132,359,540	10%	118,070,413	8%
Cash and cash equivalents	210,558,476	16%	384,636,830	27%
Receivables	37,940,343	3%	29,860,679	2%
<b>Total before impairment allowance</b>	<b>1,314,024,320</b>	<b>100%</b>	<b>1,418,947,786</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 maintains ultimate control over investment policies at the micro level while the Investment and Credit Sub-board Committee and Manager Investment are given the flexibility needed at an operational level to quickly respond to and take advantage of, changing economic circumstances to accept and consider investments for the Board and Ministerial approval.

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

Credit quality:

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

	June 2019	June 2018
	\$	\$
Cash and cash equivalents	211,081,303	384,636,830
Commercial paper and treasury bills	788,109,246	736,379,864
Debt securities	150,000,000	150,000,000
Loans and advances	140,119,438	125,950,293
Receivables	60,414,721	61,246,548
Gross assets subject to impairment consideration	1,349,724,708	1,458,213,535
Less: Impairment allowances	(35,700,388)	(39,265,748)
	<b>1,314,024,320</b>	<b>1,418,947,787</b>

**(b) Government security risk**

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

**(c) Foreign exchange risk**

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

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

30 June 2019	Currency					Total
	SBD	AUD	USD	Euro	Others (GBP & PGK)	
Assets	\$	\$	\$	\$	\$	\$
Cash and cash equivalent	158,190,227	9,775,186	1,820	23,149,856	19,441,387	210,558,476
Commercial paper, treasury bills and government bonds	824,011,169	49,897,364	50,981,312	-	8,276,116	933,165,961
Equity investments	1,692,172,642	19,110,256	56,776,185	12,241,937	98,143,592	1,878,444,612
<b>Total</b>	<b>2,674,374,038</b>	<b>78,782,806</b>	<b>107,759,317</b>	<b>35,391,793</b>	<b>125,861,095</b>	<b>3,022,169,049</b>

30 June 2018						
Assets						
Cash and cash equivalent	285,905,279	23,839,650	16,996,071	23,149,853	34,745,977	384,636,830
Commercial paper, treasury bills and government bonds	785,513,155	37,050,083	48,939,927	-	14,876,699	886,379,864
Equity investments	1,397,668,412	19,012,141	50,886,281	11,680,886	62,127,632	1,541,375,352
<b>Total</b>	<b>2,469,086,846</b>	<b>79,901,874</b>	<b>116,822,279</b>	<b>34,830,739</b>	<b>111,750,308</b>	<b>2,812,392,046</b>

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

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

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

**(d) Interest rate risk**

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

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



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

**(e) Liquidity risk**

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

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

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

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

	Up to 1 month \$	1 - 3 months \$	3- 12 months \$	1-5 years \$	Over 5 years \$	Total \$
<b>30 June 2019</b>						
<b>Assets</b>						
Cash and cash equivalents	210,558,476	-	-	-	-	210,558,476
Commercial paper, treasury bills and held-to-maturity investments	11,434,720	17,634,802	559,740,311	194,356,128	150,000,000	933,165,961
Loans and advances	-	-	-	55,429,565	76,929,975	132,359,540
Receivables	13,358,684	3,484,005	21,097,654	-	-	37,940,343
<b>Total</b>	<b>235,351,880</b>	<b>21,118,807</b>	<b>580,837,965</b>	<b>249,785,693</b>	<b>226,929,975</b>	<b>1,314,024,320</b>
<b>Liabilities</b>						
Accounts payable	25,989,232	11,771	38,779	180,964	-	26,220,746
Other payables and accruals	1,393,806	363,804	-	8,472,885	-	10,230,495
<b>Total</b>	<b>27,383,038</b>	<b>375,575</b>	<b>38,779</b>	<b>8,653,849</b>	<b>-</b>	<b>36,451,241</b>
<b>Net liquidity gap</b>	<b>207,968,842</b>	<b>20,743,232</b>	<b>580,799,186</b>	<b>241,131,844</b>	<b>226,929,975</b>	<b>1,277,573,079</b>
	Up to 1 month \$	1 - 3 months \$	3- 12 months \$	1-5 years \$	Over 5 years \$	Total \$
<b>30 June 2018</b>						
<b>Assets</b>						
Cash and cash equivalents	384,636,830	-	-	-	-	384,636,830
Commercial paper, treasury bills and held-to-maturity investments	41,169,048	195,489,117	405,183,253	94,538,446	150,000,000	886,379,864
Loans and advances	-	-	-	94,521,796	23,548,617	118,070,413
Receivables	1,365,197	-	28,495,482	-	-	29,860,679
<b>Total</b>	<b>427,171,075</b>	<b>195,489,117</b>	<b>433,678,735</b>	<b>189,060,242</b>	<b>173,548,617</b>	<b>1,418,947,786</b>
<b>Liabilities</b>						
Accounts payable	3,170,798	39,931	8,761	-	-	3,219,490
Other payables and accruals	-	1,790,490	1,852,558	3,555,319	-	7,198,367
<b>Total</b>	<b>3,170,798</b>	<b>1,830,421</b>	<b>1,861,319</b>	<b>3,555,319</b>	<b>-</b>	<b>10,417,857</b>
<b>Net liquidity gap</b>	<b>424,000,277</b>	<b>193,658,696</b>	<b>431,817,416</b>	<b>185,504,923</b>	<b>173,548,617</b>	<b>1,408,529,929</b>

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**16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS**

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

	Place of business	Ownership	Fair value June 2019	Fair value June 2018
<b>Subsidiaries</b>				
(i) South Pacific Oil Limited	Solomon Islands	100%	975,000,000	900,000,000
(ii) Solomon Islands Home Finance Limited	Solomon Islands	100%	29,000,000	20,999,000
(iii) Solomon Telekom Company Limited	Solomon Islands	97.32%	465,000,000	350,000,000
(iv) Solomon Oceanic Cable Company Limited	Solomon Islands	0	-	15,669,411
(v) SI Submarina Cable Co. Ltd	Solomon Islands	47%	116,172,642	-
<b>Total fair value - subsidiaries</b>			<b>1,585,172,642</b>	<b>1,286,668,411</b>
<b>Other equity investments</b>				
(i) Heritage Park Hotel Limited	Solomon Islands	20%	69,500,000	66,000,000
(ii) Soltuna Company Limited	Solomon Islands	40.5%	37,500,000	45,000,000
(iii) Bank South Pacific Limited (Listed)	PNG		68,889,743	62,485,321
(iv) Offshore managed funds (listed)	US & Euro		87,657,192	81,221,620
(v) Loloata Island Resort	PNG		29,725,044	-
<b>Total fair value - other equity investments</b>			<b>263,271,979</b>	<b>254,706,941</b>
<b>Total fair value of equity investments (refer Note 6 (a) (ii))</b>			<b>1,878,444,621</b>	<b>1,541,375,352</b>

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

**(a) Subsidiaries**

**(i) South Pacific Oil Limited (SPOL)**

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

**(ii) Solomon Islands Home Finance Limited (SIHFL)**

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

**(iii) Solomon Telekom Company Limited (STCL)**

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

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

**(iv) Solomons Oceanic Cable Company Limited (SOCC)**

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

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

**(b) Other equity investments**

**(i) Heritage park Hotel Limited (HPhL)**

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

**(ii) Soltuna Company Limited (SCL)**

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

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

**(iii) Bank of South Pacific Limited (BSP)**

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

**(iv) Offshore Managed Funds**

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

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

At 30 June 2019 the Fund has 1,810,631 units (2018: 1,707,781 units) in UBS Australian Share Fund at the recorded price of SBD \$10.55 (2017: SBD \$11.13) per unit (AUD \$1.8407) (2017: AUD \$1.8714). The Fund also maintained the same level of units in Vanguard European Stock Index Fund at 64,6734 with a closing price per unit of SBD \$189.28 (2018: SBD \$180.69) per unit (Euro 20.5756) (2018: Euro 19.6868) at the end of the year. The Fund has retained its 207,924 units in the Vanguard US 500 Stock Index Fund, with a closing unit price of SDB 273.06 per unit (USD33.46501).

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

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**17. TREASURY BILLS AND OTHER PRIVATE COMMERCIAL LOANS**

**(a) Government bonds**

	June 2019 \$	June 2018 \$
SIG Development Bond – Bullet Series	120,000,000	120,000,000
SIG Development Bond – Amortising Series	30,000,000	30,000,000
	150,000,000	150,000,000
Less: Impairment allowance	(625,500)	-
Total government securities/Bonds (refer Note 6 (b) (iii))	149,374,500	150,000,000

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

**(b) Treasury bills – Central Bank of Solomon Islands**

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

**18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

**(a) Valuation models**

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

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

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

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

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

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

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

**(b) Valuation framework**

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

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

**(c) Fair value hierarchy – Financial instruments measured at fair value**

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

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

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

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

	<b>June 2019</b>	<b>June 2018</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 July	147,668,411	105,104,715
Fair value (losses) / gains *	4,001,001	3,386,696
Purchases	145,897,685	39,177,000
Disposals/Transfer	(15,669,411)	-
<b>Balance at the end of the year</b>	<b>281,897,686</b>	<b>147,668,411</b>

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

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

**(d) Significant unobservable inputs used in measuring fair value**

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

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

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

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

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

**IFRS 16 Leases**

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

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

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

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

**20. SUBSEQUENT EVENTS**

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