



# CENTRAL BANK OF SAMOA

## Financial Statements

For the year ended 30<sup>th</sup> June 2018

**CENTRAL BANK OF SĀMOA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

Central Bank of Samoa  
Financial Statements  
For the year ended 30 June 2018  
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Central Bank of Samoa  
Management's Statement  
For the year ended 30 June 2018

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**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to International Financial Reporting Standards and include amounts based on management's best estimates and judgments.

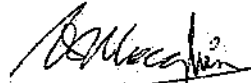
Management has established and maintains accounting and internal control systems that include written policies and procedures. These systems are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The Board of Directors oversees management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the Board of Directors on recommendation from management.

Our independent auditors (BDO Samoa, Chartered Accountants), having been appointed by the Board of Directors, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.



**Maiava Atalina Ainuu-Enari**  
Governor



**Gilbert Wongsin**  
Assistant Governor - Corporate  
Services Group



**Peniamina Tauati**  
Manager Accounts & Budget

Dated: 26/10/2018

Dated: 26/10/2018

Central Bank of Samoa  
Directors' Statement  
For the year ended 30 June 2018

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The Directors present their report together with the financial statements of the Central Bank of Samoa ("the Bank") for the year ended 30 June 2018 as set out on the accompanying pages and the auditors' report thereon in accordance with the requirements of the Central Bank of Samoa Act 2015.

**Directors**

The Directors of the Bank at the date of this report are:

Chairperson & Governor	Maiava Atalina Ainuu-Enari
Member	Matai'a Alofipo Daniel Meredith
Member	Namulauulu Sami Leota
Member	Tuala Falani Chan Tung
Member	Tuala Pat Leota

**Principal Activity**

The principal activity of the Bank is the implementation of monetary and financial policies of the Government and for the promotion of conditions conducive to an orderly and balanced economy development in Samoa.

**State of Affairs**

In the opinion of the directors:

- (i) the accompanying Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows are drawn up so as to give a true and fair view of the operations and results of the Bank for the year ended 30 June 2018.
- (ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 30 June 2018.

**Operating Results**

The result for the year is a net profit of \$3.0 million tala (2017 net profit of \$5.0 million tala)

**Reserves**

The Directors recommend that a net profit of \$3.0 million tala be transferred to reserves.


**Dividends**

In accordance with the requirements of the Central Bank of Samoa Act 2015, the Directors recommend no dividend to be paid to the Government of Samoa.

Dated at Apia: 20<sup>th</sup> October, 2018

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

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR



## AUDIT OFFICE

Please address all correspondences  
to the Controller and Auditor General

### REPORT OF THE AUDIT OFFICE

#### TO THE GOVERNING BODY IN CHARGE OF GOVERNANCE – CENTRAL BANK OF SAMOA

##### **Audit Opinion**

We have audited the accompanying Financial Statements of the Central Bank of Samoa which comprise the Statement of Financial Position as at 30 June 2018, the Statements of Comprehensive Income, Changes in Equity and Cash Flows and for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of BDO, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Taimalie Ernest Betham.

In our opinion, the financial statements give a true and fair view of the financial position of the Central Bank of Samoa as at 30 June 2018, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Central Bank of Samoa in accordance with the ethical requirements that are relevant to our audit of financial statements in Samoa, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

##### **Responsibilities of Those Charged with Governance for the Financial Statements**

Directors and Management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as directors and management determine 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 Central Bank of Samoa'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 Central Bank of Samoa or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Central Bank of Samoa's financial reporting process.

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are 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 auditor's 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 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 these International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.





## AUDIT OFFICE

Please address all correspondences  
to the Controller and Auditor General

- 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 Central Bank of Samoa'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 the directors and 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 Central Bank of Samoa's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Central Bank of Samoa 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.

We communicate with the Directors and Management regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

In our opinion the financial statements of the Bank have been prepared in accordance with and complies with the requirements of:

- i. Public Bodies (Performances and Accountability) Act 2001, and the
- ii. Public Finance Management Act 2001.

We also confirm that:

- a. we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b. the Bank has kept financial records sufficient to enable the financial statements to be prepared and audited.

Our audit was completed on the 26<sup>th</sup> October 2018 and our opinion is expressed as at that date.

Apia, Samoa  
30 October 2018

*C. Afele*  
Fuimaono Mata'afā Papali'i C.G. Afele  
CONTROLLER AND AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

### To the Controller and Auditor General

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Central Bank of Samoa (the Bank), which comprise:

- the statement of financial position as at June 30, 2018;
- the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 30 June 2018; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of Samoa (the Bank), as at June 30, 2018, and (of) its financial performance and its cash flows for the year ended 30 June 2018 in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Central Bank of Samoa in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Samoa, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the director's report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Banks 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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Banks financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Banks 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 Banks ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank 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.

We 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 we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with and complies with the requirements of:

- i. Public Bodies (Performance and Accountability) Act 2001, and the
- ii. Public Finance Management Act 2001.

We also confirm that:

- a. we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b. the Bank has kept financial records sufficient to enable the financial statements to be prepared and audited.



BDO

CHARTERED ACCOUNTANTS



**Ernest Betham**  
Engagement Partner

Samoa  
26<sup>th</sup> October 2018



Central Bank of Samoa  
Statement of Financial Performance  
For the year ended 30 June 2018

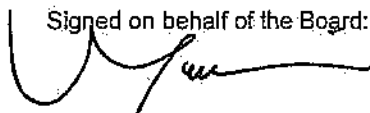
	Notes	2018 \$('000)	2017 \$('000)
<b>Income</b>			
Interest income on cash and investments	22	8,293	5,347
Interest income on lending		1,846	1,768
Rental income		1,307	1,277
Other income	23	903	2,643
<b>Total income</b>		<b>12,349</b>	<b>11,035</b>
<b>Expenses</b>			
Administrative expenses		2,128	1,657
Board expenses	24 (ff)	20	14
Communication costs		349	307
Currency issue costs		1,986	2,383
Depreciation	11	1,153	1,148
Directors fees	24(ii)	82	70
External audit costs		44	35
Finance costs		1,025	595
Occupancy costs		747	686
Staff costs		4,722	4,541
Withholding tax on interest income		44	41
<b>Total expenses</b>		<b>12,300</b>	<b>11,477</b>
<b>Profit before foreign currency translation</b>		<b>49</b>	<b>(442)</b>
Net gains on translation of foreign currency monetary assets and liabilities		3,041	6,491
<b>Net Profit for the year</b>	21	<b>3,090</b>	<b>6,049</b>


The accompanying notes form an integral part of the above financial statement

Central Bank of Samoa  
Statement of Financial Position  
As at 30 June 2018

ASSETS	Notes	2018 \$('000)	2017 \$('000)
<b>Foreign Currency Assets</b>			
Cash and fixed deposit balances	4	362,274	251,749
International Monetary Fund	6	86,224	86,517
Accrued interest	7	2,918	1,999
<b>Total Foreign Currency Assets</b>		<b>451,416</b>	<b>340,265</b>
<b>Local Currency Assets</b>			
Cash and fixed deposit balances	5	43,016	40,494
Accrued interest		13	12
Currency inventory	8	13,514	15,490
Receivables and prepayments	9	7,187	6,302
Credit line facilities	10	96,651	99,054
Property, plant and equipment	11	18,573	18,382
<b>Total Local Currency Assets</b>		<b>178,954</b>	<b>179,734</b>
<b>TOTAL ASSETS</b>		<b>630,370</b>	<b>519,999</b>
<b>LIABILITIES</b>			
<b>Foreign Currency Liabilities</b>			
Deposits	12	78,613	67,026
IMF facilities	13	27,516	30,354
International Monetary Fund	6	92,908	88,828
Other liabilities		20	16
<b>Total Foreign Currency Liabilities</b>		<b>199,057</b>	<b>186,224</b>
<b>Local Currency Liabilities</b>			
Deposits	12	253,599	199,498
Currency in circulation	14	101,624	89,609
Central Bank Securities	15	23,495	-
Deferred liability	16	-	30
Payables and accruals		32,564	27,821
Provision for employee entitlements	17	565	441
<b>Total Local Currency Liabilities</b>		<b>411,847</b>	<b>317,399</b>
<b>TOTAL LIABILITIES</b>		<b>610,904</b>	<b>503,623</b>
<b>CAPITAL AND RESERVES</b>			
Capital	19	20,000	20,000
General reserve	20	10,251	10,202
Unrealised foreign exchange revaluation reserve	21	(10,785)	(13,826)
<b>TOTAL CAPITAL AND RESERVES</b>		<b>19,466</b>	<b>16,376</b>
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>		<b>630,370</b>	<b>519,999</b>

Signed on behalf of the Board:

  
Governor  
Date 26/7/2018

  
Director  
Date 26/7/2018

The accompanying notes form an integral part of the above financial statement



Central Bank of Samoa  
Statement of Changes in Equity  
For the year ended 30 June 2018

	Note	Paid up capital \$'000	Unrealised (loss)/profits reserve \$'000	General reserve \$'000	Total \$'000
<b>Balance at 30 June 2016</b>		20,000	(20,317)	10,645	10,327
Net profit/ (loss) for the year			6,491	(442)	6,049
<b>Balance at 30 June 2017</b>		20,000	(13,826)	10,202	16,376
Net profit for the year	21		3,041	49	3,090
<b>Balance at 30 June 2018</b>		20,000	(10,785)	10,251	19,466

The accompanying notes form an integral part of the above financial statement

Central Bank of Samoa  
Statement of Cash Flows  
For the year ended 30 June 2018

This statement meets the requirements of IAS7 – *Statement of Cash Flow*. In the Central Bank's view, due to the nature of central banking activities, this statement does not shed additional light on the Central Bank's financial results. For the purpose of this statement, cash includes the notes and coins held at the Reserve Bank and overnight settlements balances due from other banks.

	Note	2018 \$'000	2017 \$'000
<b>CASH FLOWS (USED BY)/FROM OPERATING ACTIVITIES:</b>			
Cash received from investments		8,293	5,347
Cash received from rent		1,307	1,277
Cash paid for services and goods		(5,373)	(3,882)
Other income		890	2,643
Cash paid to employees		(3,735)	(3,440)
Interest paid on deposits		(1,025)	(595)
<b>Net cash flows from operating activities</b>		<b>357</b>	<b>1,350</b>
<b>CASH FLOWS (USED BY)/FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment		1	1
Purchase of property, plant and equipment	11	(440)	(801)
Credit line facilities granted during the year		(5,000)	(3,500)
Credit line facility repayments received during the year		7,403	4,955
Interest received on credit line facility		1,846	1,768
Net movement in term deposits and bank bills more than 90 days		22,214	1,404
<b>Net cash from investing activities</b>		<b>26,024</b>	<b>3,827</b>
<b>CASH FLOWS FROM/(USED BY) FINANCING ACTIVITIES:</b>			
Net movement in notes and coins in circulation		12,015	11,709
Currency issue costs		(1,986)	(2,383)
Net movement in demand deposits		36,975	53,670
Net movement in securities		23,495	(499)
Net movement in external liabilities		12,833	(6,650)
<b>Net cash flows from financing activities</b>		<b>83,332</b>	<b>55,847</b>
<b>NET INCREASE IN CASH</b>			
Cash and cash equivalent at beginning of the period		378,760	311,245
Net unrealised profits on translation of foreign currency monetary assets and liabilities		3,041	6,491
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>491,514</b>	<b>378,760</b>

The accompanying notes form an integral part of the above financial statement

Central Bank of Samoa  
Notes to the Financial Statements  
For the year ended 30 June 2018

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**1. General information**

The Central Bank of Sāmoa ("Bank") is a body corporate created under the Central Bank of Sāmoa Act 2015. The Central Bank of Sāmoa is responsible for the implementation of monetary and financial policies of the Government of Sāmoa and for the promotion of conditions conducive to orderly and balanced economic development in Sāmoa.

These financial statements are prepared in accordance with part 8 of the Central Bank of Sāmoa Act 2015 and comply with International Financial Reporting Standards.

The Bank's office is located on the 5<sup>th</sup>, 6<sup>th</sup> and ground floor of the Central Bank of Sāmoa Building, Apia. The postal address is CBS Private Bag, Sāmoa.

These financial statements were authorised for issue by the Governor and the Board of Directors on 26 October, 2018.

**2. Statement of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a. Basis of preparation**

The financial statements of the Central Bank of Sāmoa ("Bank") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities. The financial statements are prepared in Sāmoan Tala and all values are rounded to the nearest thousand (\$'000) except where otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Certain interpretations and amendments to existing standards have been published that became effective during the current financial period. The Bank has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

***Change in accounting policies***

New standards, interpretations and amendments effective from 1 July 2018

There were no new standards or interpretations effective for the first time for periods beginning on or after 1st July 2018 that had a significant effect on the Bank's financial statements.

New and amended standards adopted by the Bank:

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1st July 2017 that have a material impact on the Bank.

New standards, amendments, annual improvements and interpretation that have been issued but are not mandatorily effective as at 30th June 2018.

Certain new standards, amendments, annual improvements and interpretation which are not yet mandatorily effective and have not been adopted early in these financial statements, will or may have an effect on the Bank's future financial statements. The Bank intends to adopt these standards, amendments, annual improvements and interpretation if applicable, when they become effective:

Central Bank of Samoa  
Notes to the Financial Statements  
For the year ended 30 June 2018

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**2. Statement of significant accounting policies (cont'd)**

**Change in accounting policies (cont'd)**

- Annual Improvements to IFRSs 2015 -2017 Cycle.
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatment.
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration.
  
- New Standards which are applicable for periods beginning on or after 1st January 2018. The Bank determines the following with reference to the new standards from 1 July 2018:
  - IFRS 9: Financial Instruments
  - IFRS 15: Revenue from Contracts with Customers
  - IFRS 16: Leases

**b. Foreign currency transactions**

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency (i.e.: Sāmoan Tala) at the exchange rate ruling at that date.

Foreign exchange gains and losses resulting from settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities in foreign currency are recognized in the profit and loss account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rates ruling at the dates the fair value was determined.

**c. Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash held at bank, short-term bank deposits, bank bills with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Bank in the management of its short-term commitments.

**d. Property, plant and equipment**

Land is carried at market value, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimates of useful lives of property, plant and equipment over which depreciation is charged are as follows:

• Land	Not Depreciated
• Buildings	10 years and 40 to 50 years
• Office equipment, furniture and fittings	5 to 10 years
• Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Expenditure on the repairs and maintenance of property, plant and equipment which does not add to the future economic benefits expected from the assets is recognized as an expense when incurred. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit.

The cost of major renovations is included in the carrying amount of the asset when it is probable that the future economic benefits will exceed the originally assessed standard of performance of the existing asset and will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Central Bank of Samoa  
Notes to the Financial Statements  
For the year ended 30 June 2018

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**2. Statement of significant accounting policies (cont'd)**

**e. Inventory of currency**

Inventories of currency on hand are recognized in the Statement of Financial Position at cost. Cost includes the costs of bringing inventories to their present location and condition.

When currency is issued, the value of inventory is reduced and an expense is recorded for currency issue costs. Currency issue costs are determined on a first-in, first-out (FIFO) basis.

**f. Financial instruments**

A financial instrument is defined as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Central Bank of Samoa's financial instruments are its credit line facilities, secured lending, foreign currency working accounts, cash and cash equivalents, central bank securities, notes on issue and deposit liabilities.

***Financial assets***

Foreign exchange

Assets and liabilities denominated in foreign currency are converted to Samoan tala equivalents at the relevant exchange rate ruling on balance date. Realised and unrealized gains or losses on foreign currency are taken to profit, but only realized gains and losses are available for distribution in accordance with the *Central Bank of Samoa Act 2015*. Interest revenue and expenses on foreign currency assets and liabilities are converted to Samoan tala using the relevant market exchange rate on the date they are accrued or recognised.

Local and Foreign deposits

The Central Bank of Samoa holds call and term (or fixed) deposits with highly rated commercial banks locally and overseas and also maintains working accounts in foreign currencies. Deposits are classified as 'loans and receivables' and recorded at their face value which is equivalent to their amortized cost using the effective interest method. Interest is accrued over the term of deposits and is received periodically or at maturity. Interest accrued but not received is included in Accrued interest.

Australian dollar bank bills

In the course of its financial market operations the Central Bank of Samoa engages in repurchase agreements involving Australian dollar discount securities. These discount securities purchased and contracted for sale under buy repurchase agreements are classified as 'held to maturity' and valued at amortised cost. Interest earned on the discount securities is the difference between the purchase cost and the face value of the security at maturity and is amortised over the term of the security.

Secured lending and credit line facilities

The Central Bank of Samoa provides advances to commercial banks and other financial or lending institutions through secured lending and credit line facilities. Secured lending and credit line facilities are classified as 'loans and receivables' and recorded at their face value which is equivalent to their amortized cost using the effective interest method. Interest income is recorded over the term of advance or credit facility as it accrues.

***Financial liabilities***

Sell repurchase agreements (Central Bank Securities)

Central Bank securities sold and contracted for repurchase are held for purposes of conducting monetary policy and may be repurchased, typically for short terms, under repurchase agreements. The counterpart obligation to repurchase the securities is reported in liabilities at amortised cost. The difference between the sale and purchase price is accrued over the term of the agreement and recognised as interest expense.

Demand deposits

Demand deposits representing funds placed with the Bank by financial institutions and other organizations are brought to account on an amortised cost basis, which is equivalent to their face value. These deposits are at call. Interest is paid on demand deposits of Government of Samoa held with the Bank.



Central Bank of Samoa  
Notes to the Financial Statements  
For the year ended 30 June 2018

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**2. Statement of significant accounting policies (cont'd)**

**f. Financial instruments (cont'd)**

***Financial liabilities (cont'd)***

Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value in the statement of financial position.

Demonetised currency

In accordance with the provisions of the Central Bank of Samoa Act 2015, the Bank no longer has any liability for currency that has been demonitised and remains in circulation. Therefore, currency in circulation that has been demonitised and ceases to be legal tender from the date as specified by the Bank is recognized in income.

Collectors' currency

Collectors' currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for collectors' currency is recorded at face value in the statement of financial position. Prior to 1 July 2011 the value of collectors' currency is reflected as a contingent liability.

**g. Receivables**

Receivables primarily consist of staff advances and are recognised initially at fair value and subsequently measured at cost, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Bank will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

**h. Accounts payable**

Accounts payables and other accounts payable are recognised when the Bank becomes obliged to make future payments resulting from the purchase of goods and services. Accounts payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received. Given the short term nature of most payables, the carrying amounts approximate fair value.

**i. Capital and Reserves**

The capital of the Central Bank is established by the Central Bank of Samoa Act 2015 ("Act"). Any increase to capital proposed by the Board of Directors is approved by the Finance Minister in accordance with Section 32 of the Act.

The General Reserve also forms part of equity and this records all net profits and net losses incurred by the Bank.

Unrealised gains and losses on foreign exchange, foreign securities and Sāmoan talā securities are recognised in profit. However, until such gains or losses are realized, they are not available for distribution to the Sāmoan Government. Such unrealized gains are reflected in the Unrealised Profits Reserve. Unrealised losses that exceed the balance held in the Unrealised Profits Reserve are initially charged against distributable profits (or income) and then covered from the general reserve. This is in accordance with the requirement of the Act.

**j. Revenue recognition**

The Bank's main source of income is from the interest earned from various investment with overseas Bank accounts. Interest income is recognized when both matured.

**k. Operating lease income**

The Bank earns rental income from operating leases of its building property. Rental income is recognized on a straight-line basis over the term of the lease.

Central Bank of Samoa  
Notes to the Financial Statements  
For the year ended 30 June 2018

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**2. Statement of significant accounting policies (cont'd)**

**l. Statutory reserve deposit**

Under section 53 of the Central Bank of Samoa Act 2015, the Bank may specify the reserves required by each financial institution to be maintained against deposits and other similar liabilities.

Under Part IV of the Insurance Act 1987, insurance companies, brokers and agents are required to deposit with the Bank, specified deposit amounts in accordance with the requirements of the Insurance Act 1987.

**m. Employee benefits**

The Bank contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognised immediately in profit or loss.

Liabilities for annual leave are accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

**n. Value Added Goods and Services Tax**

VAGST collected on its building rental income and VAGST paid on expenses directly related to the management of its building property are included in the bi-monthly VAGST returns. No VAGST is incurred on its financial transactions.

**o. Income tax**

Section 73 of the Central Bank of Samoa Act 2015 exempts the Bank from income tax. Accordingly no provisions are raised for current or deferred income tax.

**p. Comparatives**

Where necessary previous periods comparatives have been changed to conform with the presentation of financial information for the current year.

**3. Critical accounting estimates and judgments**

Preparing financial statements to conform with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Bank's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements.

*Impairment of property, plant and equipment*

The carrying amounts of the Bank's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised immediately in the profit or loss.

Central Bank of Samoa  
Notes to the Financial Statements  
For the year ended 30 June 2018

**3. Critical accounting estimates and judgments (cont'd)**

Impairment of property, plant and equipment (cont'd)

Recoverable amount is the higher of 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 (i.e.: cash generating units).

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Bank on terms that the Bank would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Bank, economic conditions that correlate with defaults or the disappearance of an active market for a security.

**4. Foreign currency cash balances and term deposit balances**

	2018 \$'000	2017 \$'000
Cash balances	126,803	80,720
Fixed deposit balances	235,471	171,029
<b>Total foreign currency cash and term deposit balances</b>	<b>362,274</b>	<b>251,749</b>

Foreign currency cash balances comprise of balances held with the Reserve Bank of Australia, Reserve Bank of New Zealand, Bank of England, Bank of China and the Federal Reserve Bank of New York which is in the form of overnight repurchases.

The foreign currency term deposits range in maturing from 91 days to 365 days. The weighted average interest rate on the term deposits is 2.5% per annum.

The composition of foreign currency cash balances and term deposit balances are as follows:

	2018 \$'000		2017 \$'000	
	Cash balances	Term Deposits	Cash balances	Term Deposits
\$US dollar denominated deposits	118,468	32,744	76,600	-
\$NZ dollar denominated deposits	3,448	90,487	1,766	77,912
\$AU dollar denominated deposits	2,853	29,172	1,897	57,088
\$CNH dollar denominated deposits	3	83,068	77	36,029
\$GBP dollar denominated deposits	2,031	-	380	-
<b>Total</b>	<b>126,803</b>	<b>235,471</b>	<b>80,720</b>	<b>171,029</b>

**5. Local currency cash balances and term deposit balances**

	2018 \$'000	2017 \$'000
Petty cash	5	5
Cash at bank	12,524	12,836
Fixed deposit balances	30,487	27,653
<b>Total local currency cash and term deposit balances</b>	<b>43,016</b>	<b>40,494</b>

The local currency term deposits range in maturing from 91 days to 365 days. The weighted average interest rate on the term deposits is 2.5% per annum.

Central Bank of Samoa  
Notes to the Financial Statements  
For the year ended 30 June 2018

**6. International Monetary Fund**

The Government of Samoa membership to the International Monetary Fund (IMF) was obtained prior to the establishment of the Central Bank of Samoa, as a result the Ministry of Finance (MOF) acted as the fiscal and depository for the IMF accounts. After the establishment of an MOU between CBS and MOF on the transfer of Government accounts in 2014, the Bank was designated the official depository of IMF accounts on the 1 July 2014.

Samoa's claims on the IMF include Special Drawing Rights (SDR) Holdings and Quota with the IMF. The SDR holding is an interest-bearing international reserve asset created by the IMF to supplement existing reserve assets and used in transactions between the IMF and its members. The quota represents the subscriptions paid in full by Samoa to the IMF when it became a member. Samoa's quota is secured by the Samoan government promissory note issued to the IMF and is recorded as an asset denominated in SDR.

Samoa's liabilities to the IMF consist of SDR allocations and Currency holdings. The SDR allocation was initially made available by the IMF to all its members who are participants of the IMF SDR department and these allocations are subject to charges. Currency holdings represent IMF holdings of the member's currency and CBS is now the designated depository.

IMF related assets and liabilities at 30<sup>th</sup> June 2018:

	2018 \$'000	2017 \$'000
	SAT	SAT
<b>Foreign Currency Assets</b>		
Currency Subscription - Quota	59,119	56,522
Special Drawing Right Holdings	27,105	29,995
<b>Total foreign currency assets</b>	<b>86,224</b>	<b>86,517</b>
<b>Foreign Currency Liabilities</b>		
Special Drawing Right Allocations	40,474	38,697
Currency Holding	52,434	50,131
<b>Total foreign currency liabilities</b>	<b>92,908</b>	<b>88,828</b>

**7. Foreign currency accrued interest balances**

	2018 \$'000	2017 \$'000
Balances with other Central Banks	71	209
Deposits with commercial banks	2,847	1,790
<b>Total foreign currency accrued interest</b>	<b>2,918</b>	<b>1,999</b>

**8. Currency inventory**

	2018 \$'000	2017 \$'000
Currency notes	3,667	3,946
Coins	9,847	11,544
<b>Total currency inventory</b>	<b>13,514</b>	<b>15,490</b>

Central Bank of Samoa  
Notes to the Financial Statements  
For the year ended 30 June 2018

**9. Receivables and prepayments**

	2018 \$'000	2017 \$'000
Prepayments	2,071	395
Other debtors	107	487
Interest receivable on staff loans	674	538
Staff loans principal balance	4,455	4,995
Less allowance for impairment on staff loans	(120)	(111)
Net staff loans	4,335	4,883
<b>Total receivables and prepayments</b>	<b>7,187</b>	<b>6,302</b>

<b>Movement in allowance for impairment on staff loans</b>		
Opening balance at 1 July	111	108
Additional/(Reduction) allowance for impairment charged to income and expense	9	3
<b>Closing balance at 30 June</b>	<b>120</b>	<b>111</b>

**10. Credit line facilities**

	2018 \$'000	2017 \$'000
(a). Tsunami (Credit Line Facility)	8,237	10,231
(b). Cyclone Evan (Credit Line Facility)	35,651	38,294
(c). Economic Stimulus (Credit Line Facility)	24,964	26,569
(d). Additional Economic Stimulus (Credit Line Facility)	8,734	9,307
(e). Second Additional Economic Stimulus (Credit Line Facility)	14,065	14,653
(f). First Small Medium Enterprises Finance (CLF)	5,000	-
<b>Total credit line facilities</b>	<b>96,651</b>	<b>99,054</b>

**(a). Tsunami (CLF)**

An Emergency Credit Line Facility was extended to the Development Bank of Samoa and the Samoa Housing Corporation to restore confidence of the tourism operators and businesses that were adversely affected by the tsunami to rebuild and redevelop their devastated properties. The outstanding balances as at year end are specified as follows:

	2018 \$'000	2017 \$'000
Development Bank of Samoa	3,745	4,736
Samoa Housing Corporation	4,492	5,495
<b>Balance at year end</b>	<b>8,237</b>	<b>10,231</b>

The term of the credit line facilities are for 5 and 10 years and interest is charged at the rate of 3% per annum.

Repayment terms:

Development Bank of Samoa	-Monthly Repayments	-\$193,000
	-Securities	-Government Guarantee
Samoa Housing Corporation	-Monthly Repayment	-\$96,000
	-Securities	-Government Guarantee



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**10. Credit line facilities (cont'd)**

**(b). Cyclone Evan (CLF)**

Another Credit Line Facility was extended to the Development Bank of Samoa and the Samoa Housing Corporation to rebuild and redevelop the damaged properties of the tourist accommodation operators and other businesses that were adversely affected by the cyclone in order to restore lost confidence and the livelihood of households. The funds were drawn down in February 2013 and the balances at year end are specified as follows:

	2018 \$'000	2017 \$'000
Development Bank of Samoa	32,046	34,368
Samoa Housing Corporation	3,605	3,926
<b>Balance at year end</b>	<b>35,651</b>	<b>38,294</b>

	<u>DBS</u>	<u>SHC</u>
Credit Line Loan Amount Approved:	\$39 million	\$5 million
Loan Duration:	15 Years	15 Years
Grace Period:	12 months	12 months
Interest Rate:	1% per annum	1% per annum
Loan Repayment:	Monthly repayments due after grace period	Monthly repayments due after grace period
Securities:	Government Guarantee	Government Guarantee

**(c). Economic Stimulus (CLF)**

An additional Credit Line Facility was extended to the Development Bank of Samoa to meet the increased demand for borrowings for hosting the Small Island Development States Forum and Commonwealth Youth Games. The funds were disbursed in January 2014 and the balance at year end is specified as follows:

	2018 \$'000	2017 \$'000
Development Bank of Samoa	24,964	26,569
<b>Balance at year end</b>	<b>24,964</b>	<b>26,569</b>

Credit Line Loan Amount Approved:	\$30 million
Loan Duration:	15 Years
Grace Period:	12 months
Interest Rate:	2% per annum
Loan Repayment:	Monthly repayments due after grace period
Securities:	Government Guarantee

**(d). Additional Economic Stimulus (CLF)**

An additional Credit Line Facility was extended to the Development Bank of Samoa to meet the increased demand for borrowings for hosting the Small Island Development States Forum and Commonwealth Youth Games. The funds were disbursed in March 2015 and the balance at year end is specified as follows:

	2018 \$'000	2017 \$'000
Development Bank of Samoa	8,734	9,307
<b>Total additional credit line facility</b>	<b>8,734</b>	<b>9,307</b>

Credit Line Loan Amount Approved:	\$10 million
Loan Duration:	15 Years
Grace Period:	12 months
Interest Rate:	3% per annum
Loan Repayment:	Monthly repayments due after grace period
Securities:	Government Guarantee

Central Bank of Samoa  
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For the year ended 30 June 2018

**10. Credit line facilities (cont'd)**

**(e). Second Additional Economic Stimulus (CLF)**

A second additional Credit Line Facility was extended to the Development Bank of Samoa to meet the increased demand for borrowings for agricultural and tourism sectors. The funds were disbursed in November 2015 and the balance at year end is specified as follows:

	2018	2017
	\$'000	\$'000
Development Bank of Samoa	14,065	14,653
<b>Total additional credit line facility</b>	<b>14,065</b>	<b>14,653</b>

Credit Line Loan Amount	\$15.0 million
Approved:	
Loan Duration:	15 Years
Grace Period:	12 months
Interest Rate:	3% per annum
Loan Repayment:	Monthly repayments due after grace period
Securities:	Government Guarantee

**(f). First Small Medium Enterprises (CLF)**

A first additional Credit Line Facility issued to the Development Bank of Samoa for the small medium Enterprises within the agriculture manufacturing and other business sectors that will provide Productive contribution towards Samoa's economic development.

	2018	2017
	\$'000	\$'000
Development Bank of Samoa	5,000	-
<b>Balance at year end</b>	<b>5,000</b>	<b>-</b>

Credit Line Loan Amount	\$5.0 million
Approved:	
Loan Duration:	15 Years
Grace Period:	12 months
Interest Rate:	3% per annum
Loan Repayment:	Monthly repayments due after grace period
Securities:	Government Guarantee

Central Bank of Samoa  
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**11. Property, plant and equipment**

	Land \$'000	Buildings \$'000	Ululofoa W/P \$'000	Plant & equipment \$'000	Motor vehicles \$'000	IT equipment \$'000	Furniture & fittings \$'000	Total \$'000
<b>At Cost -</b>								
At 30 June 2016	3,637	28,769	-	5,230	492	619	1,171	39,918
Additions	-	689	497	70	-	3	39	1,298
Disposals	-	-	-	(13)	-	-	(12)	(25)
<b>At 30 June 2017</b>	<b>3,637</b>	<b>29,458</b>	<b>497</b>	<b>5,287</b>	<b>492</b>	<b>622</b>	<b>1,198</b>	<b>41,190</b>
Additions	-	279	907	102	-	23	36	1,347
Disposals	-	(22)	-	(109)	-	-	(5)	(136)
<b>At 30 June 2018</b>	<b>3,637</b>	<b>29,715</b>	<b>1,404</b>	<b>5,280</b>	<b>492</b>	<b>645</b>	<b>1,229</b>	<b>42,401</b>
<b>Depreciation -</b>								
At 30 June 2016	-	(5,857)	-	(4,250)	(126)	(428)	(1,027)	(21,688)
Charge for the year	-	(711)	-	(251)	(98)	(59)	(28)	(1,147)
Disposals	-	-	-	13	-	-	12	25
<b>At 30 June 2017</b>	<b>-</b>	<b>(16,568)</b>	<b>-</b>	<b>(4,488)</b>	<b>(224)</b>	<b>(487)</b>	<b>(1,043)</b>	<b>(22,810)</b>
Charge for the year	-	(720)	-	(246)	(98)	(62)	(28)	(1,154)
Disposals	-	22	-	108	-	-	5	135
<b>At 30 June 2018</b>	<b>-</b>	<b>(17,266)</b>	<b>-</b>	<b>(4,626)</b>	<b>(321)</b>	<b>(550)</b>	<b>(1,065)</b>	<b>(23,828)</b>
<b>Net Book Value -</b>								
At 30 June 2017	3,637	12,889	497	799	268	135	155	18,382
At 30 June 2018	3,637	12,448	1,404	654	171	95	164	18,573

**12. Deposits**

	2018 \$'000	2017 \$'000
<b>Foreign currency deposits</b>		
Government of Sāmoa foreign currency deposits	78,613	67,026
<b>Total foreign currency deposits</b>	<b>78,613</b>	<b>67,026</b>
<b>Local currency deposits</b>		
Demand deposits due to banks	168,991	123,273
Government of Sāmoa local currency deposits	33,874	31,545
The World Bank deposits	107	132
	<b>209,972</b>	<b>154,950</b>
<b>Statutory reserve deposits</b>		
Domestic banks	49,687	43,658
Insurance companies	940	890
	<b>50,627</b>	<b>44,548</b>
<b>Total local currency deposits</b>	<b>253,599</b>	<b>199,498</b>

The Central Bank acts as banker, agent and depository of the Government of Sāmoa. Governments funds are deposited at the Central Bank are remunerated at a prevailing market rate. Interest expense for the year was \$1.0m tala (2017: \$0.6m tala)

The Central Bank acts also as banker, agent and depository to The World Bank funds deposited at the Central Bank are not remunerated.

Central Bank of Samoa  
Notes to the Financial Statements  
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**13. International Monetary Fund – Facilities**

	2018 \$'000	2017 \$'000
(a). Exogenous Shock Facility	6,350	10,118
(b). Rapid Credit Facility	21,166	20,236
<b>Balance at year end</b>	<b>27,516</b>	<b>30,354</b>

**(a). Exogenous Shock Facility**

An agreement was signed with the International Monetary Fund (IMF) on December 2009 for funds to be lent to the Government of Samoa for the purpose of supporting Samoa's reserves and balance of payments. In the previous financial year the loan was classified as part of Government's foreign currency deposits in the Central Bank of Samoa's statement of financial position. In September 2011, it was agreed between the Government and the Central Bank that the loan will be transferred to the Central Bank and therefore it is now classified separately in the Central Bank's statement of financial position.

As at 30 June 2018 the balance of the loan in Samoan tala reduced to \$6,350 million which is equivalent to \$1.74 million SDR's (Special Drawing Rights) after taking into account repayments already made. Special drawing rights is an interest bearing international reserve asset created by the IMF and is allocated to members on the basis of their quotas in the IMF.

The loan principal is payable in 10 equal installments on an annual basis beginning 5 ½ years after the loan is drawn. The first repayment commenced on June 2015. Interest on the loan is 0.25% payable semi annually after 30 June and 31 December each year. Interest payments for these concessional loans introduced on January 7, 2010 were waived for review.

**(b). Rapid Credit Facility**

The International Monetary Fund (IMF) approved a disbursement of another facility for the amount equivalent to SDR \$5.8 million (about US\$8.6 millions). This Facility is called the Rapid Credit Facility (RCF) for the purpose of helping Samoa to manage the economic impact of Cyclone Evan.

The RCF provides rapid financial assistance with limited conditionality to low income countries with an urgent balance of payments need.

The RCF carries zero interest (until the end of 2014), has a grace period of 5 ½ years and a final maturity of 10 years. Funds were received in May 2013 and repayments will begin on 23 November 2018 until May 2023.

**14. Currency in circulation**

	2018 \$'000	2017 \$'000
Currency in circulation	101,624	89,609
<b>Balance at year end</b>	<b>101,624</b>	<b>89,609</b>

**15. Central Bank Securities.**

	2018 \$'000	2017 \$'000
Central Bank Securities	23,495	-
<b>Balance at year end</b>	<b>23,495</b>	<b>-</b>

Central Bank securities issued to the public are primarily purchased by the local commercial banks. The securities are short term ranging in maturity from 14 days to 91 days. The weighted average interest rate of the securities is 0.22 % per annum.

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**16. Grant**

A Grant of \$199,202 was received from the United Nations Capital Development Fund (UNCDF) through the Pacific Financial Inclusion Programme (PFIP) to assist CBS in developing an electronic survey instrument that is used to conduct financial inclusion service demand side surveys and datasets which is compatible to global financial inclusion indicators set out by the Alliance for Financial Inclusion (AFI) and the G20 forum.

At year ended 30<sup>th</sup> June 2018, a total balance of \$30,100 from this fund has been paid back to the Pacific Financial Inclusion Programme.

	2018 \$'000	2017 \$'000
Grant deferred liability	-	30
<b>Closing balance at 30 June</b>	<b>-</b>	<b>30</b>

**17. Provision for employee entitlements**

Provision for employee entitlements comprise retirement, annual leave, sick leave and long service leave.

	2018 \$'000	2017 \$'000
Opening balance at 1 July	441	354
Additional provisions charged to income during the year	246	341
Entitlements utilized during the year	(122)	(254)
<b>Closing balance at 30 June</b>	<b>565</b>	<b>441</b>

**18. Distributable profits**

Section 35 of the Central Bank of Samoa Act 2015 ("Act") specifies that profits available for distribution by the Bank must be computed from net profit by:

- a) Deducting the amount of all unrealized gains included in the net profit and allocating an equivalent amount to the Unrealized Revaluation Reserve Account.
- b) Deducting from the Unrealized Revaluation Reserve Account the amount of all unrealized revaluation losses included in the net profit until such time as the balance of that account is equal to zero and adding an equivalent amount to the distributable profit; and
- c) Such other purpose proposed by the Board and approved by the Minister.

**19. Capital**

	2018 \$'000	2017 \$'000
<b>Authorised, issued and paid up capital</b>	<b>20,000</b>	<b>20,000</b>

The level of capital is monitored on a regular basis to ensure that it complies with the requirements of the Central Bank of Samoa Act 2015. Any increases to capital proposed by the Board of Directors is approved by the Finance Minister in accordance with Section 32 of the Act.

*Management of the Bank's Capital*

The Bank's capital management framework focuses on the Bank's total equity in its financial statements. The main drivers of reported equity are reported financial results and the dividend to the Government. The Bank's primary capital management objective is to have sufficient capital to carry out effectively its statutory responsibilities. In determining whether the Bank has sufficient capital for those purposes, it assesses the extent of financial risk and the resulting potential for losses arising from its operations.



Central Bank of Samoa  
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**20. General reserves**

Section 33 of the Central Bank of Samoa Act 2015 specifies that the general reserve is established for the purpose of:

- (a) (i) covering losses sustained by the Bank; or  
(ii) increase the paid-up capital of the Bank; and
- (b) an Unrealized Revaluation Reserve Account which accounts for unrealized gains and losses owing to its positions with foreign currencies, gold, financial instruments and other assets.

In July 2014, the Bank signed a MOU with the Ministry of Finance (MOF) for the transfer of all Government accounts, domestic and foreign under the custodian of the Bank. In particular, the Government held more assets than its liabilities with the IMF. As at 30 June 2015, the Bank accounted and transferred the surplus to its General reserves.

**21. Unrealised profits/(losses) reserve**

Consistent with the Central Bank of Samoa Act 2015 the unrealized profits reserve account records the unrealized profits from foreign exchange gains from the Bank's holdings of foreign currency monetary assets and liabilities. Unrealized losses are initially offset against unrealized gains with any excess charged to income. The movement in the balance of the unrealized profits reserve account is as follows:

	2018 \$'000	2017 \$'000
<i>Profit distribution</i>		
Unrealised profit transferred to unrealized profits reserve	3,041	6,491
Net profit/(loss) transferred to general reserves	49	(442)
<b>Net profit</b>	<b>3,090</b>	<b>6,049</b>
<i>Movement in Unrealised profits/(losses) reserve</i>		
Opening balance at 1 July	(13,826)	(20,317)
Unrealized Profits for the year	3,041	6,491
<b>Closing balance at 30 June</b>	<b>(10,785)</b>	<b>(13,826)</b>

**22. Interest income**

	2018 \$'000	2017 \$'000
Interest on cash accounts	1,615	1,225
Interest on term deposits	6,678	4,122
<b>Total interest income</b>	<b>8,293</b>	<b>5,347</b>

**23. Other Income**

	2018 \$'000	2017 \$'000
Interest on staff loans	179	247
Income from collectors & other income	724	2,396
<b>Total other income</b>	<b>903</b>	<b>2,643</b>

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**24. Related party disclosures**

The Government of Samoa is the sole shareholder of the Bank.

All transactions with related parties are conducted on commercial terms and conditions except for Government deposits which are on concessional terms and conditions and Bank employee lending schemes which are charged below market rates of interest.

**(i) Key management personnel**

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprised the governor, assistant governors, members of the management team and executive directors. At 30 June 2018, the number of key management personnel was 23 (2017: 23).

The remuneration of key management personnel during the year was as follows:

	2018	2017
	\$'000	\$'000
Salaries and short-term employment benefits	1,312	1,312
Other long-term benefits	128	121
<b>Total key management personnel remuneration</b>	<b>1,440</b>	<b>1,433</b>

**(ii) Directors fees and board expenses**

Directors appointed from Government Corporations and Ministries do not receive a director's fees or sitting allowances. Government regulations specify that director's fees are \$18,000 gross per annum and sitting allowance ceased since 1<sup>st</sup> July 2015.

	2018	2017
	\$'000	\$'000
Directors fees	82	70
Board expenses	20	14
<b>Total directors and board expenses</b>	<b>102</b>	<b>84</b>

**(iii) Due from and due to related parties**

As at 30 June 2018, the following balances were receivable from or payable to related parties.

	2018	2017
	\$'000	\$'000
Balances due to related parties	112,486	(98,571)
Balances due from related parties	1,840	2,012

Balances due to related parties comprise of government demand deposits which are currently placed at CBS. Balances due from related parties comprise of principle loan balances given to executives of CBS including the Governor, assistant governors and the managers.

**25. Operating lease receivable**

The total future minimum lease receivables under operating leases are as follows:

	2018	2017
	\$'000	\$'000
Not later than one year	1,300	1,300
Later than one year but not later than five years	2,600	2,600
<b>Total operating lease receivable</b>	<b>3,900</b>	<b>3,900</b>

Operating leases relate to the CBS building leased out for a term of 3 years, with an option to extend for a further 3 years. The building rental income earned during the year amounts to SAT\$1,307,340 (2017: SAT\$1,276,867).

Direct operating expenses in relation to building floors leased out amounted to SAT\$983,004 (2017: SAT\$936,539). These amounts do not include the Bank's own internal payments for the floor space that the Bank occupies for its own operations and activities.

## 26. Financial risk management

### *Introduction and overview*

The Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. The main financial risks that the Bank faces are as follows:

- a) Liquidity risk
- b) Market risk
- c) Credit risk
- d) Operational risk

As is common with the majority of central banks, the nature of the Bank's operations creates exposures to a range of operational and reputational risks. Overall responsibility for the establishment and oversight of the Bank's risk management framework rests with the Board of Directors. The Bank's management seeks to ensure that strong and effective risk management and controls systems are in place for assessing, monitoring and managing risk exposures.

The majority of the Bank's financial risks arise from the management of foreign and domestic reserves. The foreign markets and financial institutions department is responsible for monitoring and reporting compliance with various risk limits and policies.

The Bank is subject to an annual external audit and is in the process of establishing an internal audit department. The Board of Directors and the Governors oversee the external audit arrangements.

#### *(a) Liquidity risk*

Liquidity risk relates to the difficulty in raising funds at short notice to meet commitments associated with its financial liabilities that are settled by delivering cash or another financial asset.

To limit the liquidity risk, the Bank maintains an adequate level of reserves and taking into consideration the transaction demand on foreign exchange, ensures that an acceptable amount is maintained in current accounts at all times. The Bank invests in high quality instruments, including commercial paper, all of which are easily converted to cash (refer to maturity analysis on liquidity)

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26. Financial risk management (cont'd)

(a) Liquidity risk (cont'd)

**Maturity analysis as at 30 June 2018**

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
<b>Foreign Currency Assets</b>						
Cash balances	126,803	-	-	-	-	126,803
Fixed deposits	43,509	60,677	131,284	-	-	235,470
International Monetary Fund	-	-	-	-	86,224	86,224
Accrued interest	1,343	496	1,080	-	-	2,919
	171,655	61,173	132,364	-	86,224	451,416
<b>Local Currency Assets</b>						
Cash balances	12,529	-	-	-	-	12,529
Fixed deposits	-	30,487	-	-	-	30,487
Accrued interest	-	13	-	-	-	13
Currency stock on hand	-	-	-	-	13,514	13,514
Receivables and prepayments	-	2,148	2,071	4,361	11	8,591
Credit line facility	-	-	-	96,651	-	96,651
Property, plant and equipment	-	-	920	16,249	-	17,169
	12,529	32,648	2,991	117,261	13,525	178,954
<b>Total Assets</b>	<b>184,184</b>	<b>93,821</b>	<b>135,355</b>	<b>117,261</b>	<b>99,749</b>	<b>630,370</b>
<b>Foreign Currency Liabilities</b>						
Demand deposits	78,613	-	-	-	-	78,613
IMF Facilities	-	-	-	27,516	-	27,516
International Monetary Fund	-	-	-	-	92,908	92,908
Other liabilities	20	-	-	-	-	20
	78,633	-	-	27,516	92,908	199,057
<b>Local Currency Liabilities</b>						
Demand deposits	253,599	-	-	-	-	253,599
Currency in circulation	-	-	-	-	101,624	101,624
Central Bank Securities	4,000	19,495	-	-	-	23,495
Deferred Liabilities	-	-	-	-	-	0
Creditors and accruals	3,015	29,503	45	-	1	32,564
Provisions	-	-	-	565	-	565
	260,614	48,998	45	565	101,625	411,847
<b>Total Liabilities</b>	<b>339,247</b>	<b>48,998</b>	<b>45</b>	<b>28,081</b>	<b>194,533</b>	<b>610,903</b>
<b>Net Assets</b>	<b>(155,063)</b>	<b>44,823</b>	<b>135,310</b>	<b>89,180</b>	<b>(94,784)</b>	<b>19,466</b>

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**26. Financial risk management (cont'd)**

**(a) Liquidity risk (cont'd)**

**Maturity analysis as at 30 June 2017**

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
<b>Foreign Currency Assets</b>						
Cash balances	80,720	-	-	-	-	80,720
Fixed deposits	1,282	169,747	-	-	-	171,029
Bank bills	-	-	-	-	-	-
International Monetary Fund	-	-	-	-	86,517	86,517
Accrued interest	139	1,860	-	-	-	1,999
	82,141	171,607	-	-	86,517	340,265
<b>Local Currency Assets</b>						
Cash balances	12,841	-	-	-	-	12,841
Fixed deposits	-	27,653	-	-	-	27,653
Accrued interest	-	12	-	-	-	12
Currency stock on hand	-	-	-	-	15,490	15,490
Receivables and prepayments	-	926	803	4,908	163	6,800
Credit line facility	-	-	-	99,054	-	99,054
Property, plant and equipment	-	-	1,201	16,683	-	17,884
	12,841	28,591	2,004	120,645	15,653	179,734
<b>Total Assets</b>	<b>94,982</b>	<b>200,198</b>	<b>2,004</b>	<b>120,645</b>	<b>102,170</b>	<b>519,999</b>
<b>Foreign Currency Liabilities</b>						
Demand deposits	67,026	-	-	-	-	67,026
IMF Facilities	-	-	-	30,354	-	30,354
International Monetary Fund	-	-	-	-	88,828	88,828
Other liabilities	16	-	-	-	-	16
	67,042	-	-	30,354	88,828	186,224
<b>Local Currency Liabilities</b>						
Demand deposits	199,498	-	-	-	-	199,498
Currency in circulation	-	-	-	-	89,609	89,609
Central Bank Securities	-	-	-	-	-	0
Deferred Liabilities	-	-	-	-	30	30
Creditors and accruals	1,056	26,734	30	-	1	27,821
Provisions	-	-	-	441	-	441
	200,554	26,734	30	441	89,640	317,399
<b>Total Liabilities</b>	<b>267,596</b>	<b>26,734</b>	<b>30</b>	<b>30,795</b>	<b>178,468</b>	<b>503,623</b>
<b>Net Assets</b>	<b>(172,614)</b>	<b>173,464</b>	<b>1,974</b>	<b>89,850</b>	<b>(76,298)</b>	<b>16,376</b>

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**26. Financial risk management (cont'd)**

**(b) Market risk**

Market risk is the risk that the changes in market prices such as interest rates and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

**(i) Foreign exchange risk**

Exchange rate risk relates to the risk of loss of foreign reserves arising from changes in the exchange rates against the Sāmoan Tala. The Bank has adopted a currency risk management policy, which maintains the Sāmoan Tala value of the foreign reserves and manages the fluctuations in the revaluation reserve account. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates.

The Bank's exposure to foreign exchange risk based on notional amounts was as follows:

<i>Foreign Assets SAT (\$M)</i>	<b>USD</b>	<b>NZD</b>	<b>AUD</b>	<b>GBP</b>	<b>CNY</b>	<b>TOTAL</b>
Cash balances with Central Banks	0.80	0.30	2.85	2.03	0.002	5.98
Cash balances with banks	-	2.70	0.45	-	0.001	3.15
Fixed deposits	32.74	90.49	29.17	-	83.07	235.47
Repurchase agreements	117.67	-	-	-	-	117.67
<b>Total</b>	<b>151.21</b>	<b>93.49</b>	<b>32.47</b>	<b>2.03</b>	<b>83.07</b>	<b>362.27</b>

**Concentration of foreign currency balances**

	<b>USD</b>	<b>NZD</b>	<b>AUD</b>	<b>GBP</b>	<b>CNY</b>	<b>TOTAL</b>
Cash balances with Central Banks	0.2%	0.1%	0.8%	0.6%	-	1.7%
Cash balances with Banks	-	0.7%	0.1%	-	-	0.9%
Fixed deposits	9.0	25.0%	8.1%	-	22.9%	65.0%
Repurchase agreements	32.5%	-	-	-	-	32.5%
<b>Total</b>	<b>41.7%</b>	<b>25.8%</b>	<b>9.0%</b>	<b>0.6%</b>	<b>22.9%</b>	<b>100.0%</b>

The following significant exchange rates were used at year end to convert foreign currency transactions to the Sāmoan tala equivalent:

	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>USD</b>	0.38498	0.39879
<b>NZD</b>	0.57035	0.54677
<b>AUD</b>	0.52396	0.51902
<b>GBP</b>	0.29454	0.30687
<b>EURO</b>	0.33316	0.34868
<b>SDR</b>	0.27402	0.28661
<b>CNY</b>	2.55130	2.70657
<b>CNH</b>	2.55559	2.71102

**Sensitivity to foreign exchange risk**

Sensitivity to foreign exchange risk is the sensitivity of the face value of the Central Bank of Sāmoa's financial assets to fluctuations exchange rate. The Tala is weighted against a basket of currencies and thus the sensitivity to foreign exchange risk is expected to be minimal as the movements of these currencies in the basket tend to offset each other. The weighted allocated to each currency in the basket is determined on the basis of Sāmoa's distribution of trade and travel transactions with our major trading partners: New Zealand, United States, Australia and the Euro-area.

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**26. Financial risk management (cont'd)**

**(b) Market risk (cont'd)**

**(i) Foreign exchange risk (cont'd)**

*Sensitivity analysis*

A 10% weakening of the Sāmoan tala against the above currencies at 30 June 2018 would have increased net income by the amounts shown below:

	2018 \$'000	2017 \$'000
USD	15,510	7,706
NZD	9,137	8,345
AUD	3,212	3,686
GBP	205	212
EURO	(18)	95
CNH	8,905	5,646
SDR	8,496	8,986
<b>TOTAL</b>	<b>45,447</b>	<b>34,676</b>

A 10% strengthening of the Sāmoan tala against the above currencies at 30 June 2018 would have an equal but opposite effect i.e.: decreased net income.

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Due to the short maturities, interest rate risk is low.

**Interest rate risk as at 30 June 2017:**

Foreign Exchange	Balance Sheet Total \$M	Repricing period \$M		
		0-3 months	3-6 months	6-12 months
Cash balances with Central Banks	6.0	-	-	-
Cash balances with Banks	3.1	-	-	-
Fixed deposits	235.5	43.5	60.7	131.3
Bank bills	-	-	-	-
Repurchase agreements	117.7	117.7	-	-
<b>TOTAL</b>	<b>362.3</b>			

**(c) Credit risk**

Credit risk in relation to a financial instrument is the risk that a customer, bank or other counterparty will not meet its obligations (or not be permitted to meet them) in accordance with agreed terms.

The Central Bank of Sāmoa invests only with banks with a minimum Standard & Poor's credit rating of A-1 (Short term) and A (long term); and with other central banks. The Bank has a concentration of investments with a few highly rated banks in New Zealand and Australia.

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26. Financial risk management (cont'd)

(c) Credit risk (cont'd)

Credit Ratings (Standard and Poors)	Risk rating of security issuer	Risk rating of counterparties	% of total assets as at 30 June 2018
Foreign Investments			
Securities held under repurchase agreements with Central Banks	AAA		32.5
Deposits with Central Banks	AAA		8.6
Cash with other Central Banks			1.7
<b>Subtotal balances with Central Banks</b>			<b>42.8</b>
Negotiable Certificate of Deposit			1.5
BOTMU		AA-	0.9
RABO		AA-	0.6
<b>Deposits with commercial bank</b>			<b>54.8</b>
ANZ		AA-	4.3
BNZ		AA-	0.0
BOC		A	25.8
DBS		AA-	5.8
ICBC		A	10.9
RABO		A	0.0
WBC		AA-	8.1
<b>Other (CASH)</b>			<b>0.9</b>
ANZ		AA-	0.1
BNZ		AA-	0.1
BOC		A	0.2
WBC		AA-	0.4
<b>Subtotal balances with commercial Banks</b>			<b>57.2</b>
<b>TOTAL</b>			<b>100.0</b>

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than liquidity, credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Bank's operations. Managing operational risk in the Bank is an integral part of day-to-day operations and oversight. This includes adherence to Bank wide corporate policies.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Bank. This responsibility is supported by the development of overall and specific policies and procedures. The proposed internal and existing external audit functions also ensure that operational risk is and will be effectively minimised and managed.

27. Fair values of financial assets and liabilities

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation of the Bank's financial assets and liabilities are discussed below:

*Cash balance and Fixed Deposits*

The carrying value of short-term deposits is considered to approximate their fair value as they are denominated in cash and payable on demand.



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**27. Fair values of financial assets and liabilities (cont'd)**

*Statutory reserve deposits*

The carrying value of statutory reserve deposits are considered to approximate their fair value as they are denominated in cash.

*Demand deposits*

The carrying value of deposits are considered to approximate their fair value as they are payable on demand.

*Currency in circulation*

The carrying value of currency in circulation is considered to be its fair value as reported in the financial statements.

*Other financial assets and liabilities*

The reported values or carrying value of other financial assets and liabilities are considered to be its fair value.

The Bank does not have any financial assets or financial liabilities where their values are determined by quoted market prices or other observable inputs either directly or indirectly.

**28. Commitments for expenditure**

The Directors are aware of the Bank's commitment at 30<sup>th</sup> June 2018 as follows:

- (i) Building of an offsite office for disaster recovery purposes at its Uluololoa property. The project is estimated at around \$28 million tala. The Board award the contract to Shanghai Construction as per Management Internal Evaluation Committee recommendation. Ground breaking is scheduled for August 2018. Cost already incurred at 30<sup>th</sup> June 2018 of \$1.4 million tala is classified as Work in Progress under the heading of Property Plants and Equipment.

**29. Contingent liabilities**

*(i) Lease on property not finalised*

The Central Bank building is built on leasehold land. The land belongs to the Government of Samoa. Terms and conditions of the lease are yet to be finalised.

*(ii) Collectors' currency*

The Bank has a contingent liability for the face value of collectors' currency issued. However, it is more unlikely that the amounts of collectors' currency will be returned for redemption at face value. The face value of all collectors' currency issued by the Bank for the period under review is SAT\$588,802. (2017: SAT\$2,099,096).