



CENTRAL BANK OF SAMOA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Central Bank of Samoa
Financial Statements
For the year ended 30 June 2016
CONTENTS

	Page
Management's Statement	1
Directors' Statement	2
Independent Audit Report	3
Statement of Financial Performance	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Accounts	8 - 29

Central Bank of Sāmoa
Management's Statement
For the year ended 30 June 2016

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.

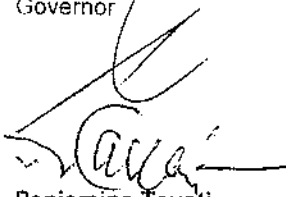
Our independent auditors (Betham & Co., Chartered Accountants), having been appointed by the Board of Directors, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.



Maiava Atafina Ainuu-Enari
Governor



Gilbert Wongsin
Assistant Governor - Corporate
Services Group



Peniamina Tauati
Manager Accounts & Budget

Dated: 28/10/2016

Dated: 28/10/2016

Central Bank of Sāmoa
Directors' Statement
For the year ended 30 June 2016

The Directors present their report together with the financial statements of the Central Bank of Sāmoa ("the Bank") for the year ended 30 June 2016 as set out on the accompanying pages and the auditors' report thereon in accordance with the requirements of the Central Bank of Sāmoa Act 2015.

Directors

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

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

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 Sāmoa.

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 2016;
- (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 2016.

Operating Results

The result for the year is a net loss of \$11.6 million tala (2015 net loss of \$20.3 million tala)

Reserves

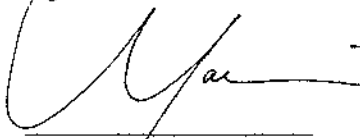
The Directors recommend that a net loss of \$11.6 million tala be transferred to reserves.

Dividends

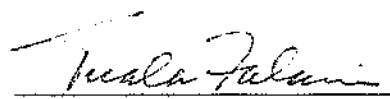
In accordance with the requirements of the Central Bank of Sāmoa Act 2015, the Directors recommend no dividend to be paid to the Government of Sāmoa.

Dated at Apia: 23rd October, 2016

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

CENTRAL BANK OF SAMOA

We have audited the accompanying Financial Report of the Central Bank of Samoa, which comprises the Statement of Financial Position as at 30 June 2016, the Statements of Financial Performance, Cash Flows and Changes in Capital and Reserves for the year then ended, a summary of significant accounting policies and other explanatory notes. The Accounting Firm of Betham & Co, Chartered Accountants and Business Advisors, assisted in this audit.

The Responsibility of the Board of Directors for the Financial Report

The Board of Directors is responsible for the preparation and fair presentation of the Financial Report in accordance with International Financial Reporting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

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

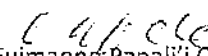
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified Audit Opinion

In our opinion, the Financial Report of the Central Bank of Samoa is in accordance with the Central Bank Act 1984 and Amendments, including:

- 1 Giving a true and fair view of the financial position of the Central Bank of Samoa as at 30 June 2016, and of its financial performance, and cash flows for the year then ended; and
- 2 Complying with International Financial Reporting Standards as disclosed in Note 2.

Apia, Samoa
31 October 2016


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

**Independent audit report
To the Controller and Auditor General
on Central Bank of Samoa**

We have audited the accompanying financial report of the Central Bank of Samoa, which comprises the statement of financial position as at 30 June 2016, the statements of financial performance, cash flows and changes in capital and reserves for the year then ended, a summary of significant accounting policies and other explanatory notes.

The Responsibility of the Board of Directors for the Financial Report

The Board of Directors are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

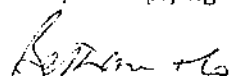
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.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

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

Unqualified Audit Opinion

In our opinion, the financial report of the Central Bank of Samoa is in accordance with the Central Bank Act 1984 and Amendments, including:

- a) giving a true and fair view of the financial position of the Central Bank of Samoa as at 30 June 2016, and of its performance for the year ended on that date; and
- b) complying with International Financial Reporting Standards as disclosed in Note 2.



BETHAM & Co.
Chartered Accountants

Apia

Date *October 31, 2016*

Central Bank of Sāmoa
Statement of Financial Performance
For the year ended 30 June 2016

	Notes	2016 \$('000)	2015 \$('000)
Income			
Interest income on cash and investments	23	4,877	5,636
Interest income on lending		1,356	892
Rental income		1,149	1,140
Grant Income	17	-	125
Other income	24	679	674
Total income		8,061	8,467
Expenses			
Administrative expenses		1,637	1,300
Board expenses	25 (ii)	13	16
Communication costs		299	278
Currency issue costs		1,585	1,280
Depreciation	12	1,158	1,186
Directors fees	25(ii)	59	48
External audit costs		35	35
Finance costs		495	248
Grant costs	17	-	125
Occupancy costs		594	597
Staff costs		5,535	5,260
Withholding tax on interest income		55	66
Total expenses		11,465	10,439
Loss before foreign currency translation		(3,404)	(1,972)
Net losses on translation of foreign currency monetary assets and liabilities		(8,173)	(18,355)
Net loss for the year	22	(11,577)	(20,327)


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

Central Bank of Samoa
Statement of Financial Position
As at 30 June 2016

ASSETS	Notes	2016 \$('000)	2015 \$('000)
Foreign Currency Assets			
Cash and fixed deposit balances	4	195,991	260,704
Bank bills	6	-	3,713
International Monetary Fund	7	92,481	85,359
Accrued interest	8	975	721
Total Foreign Currency Assets		289,447	350,497
Local Currency Assets			
Cash and fixed deposit balances	5	30,205	19,278
Accrued interest		12	11
Currency inventory	9	10,758	12,335
Receivables and prepayments	10	11,150	8,508
Credit line facilities	11	100,510	95,439
Property, plant and equipment	12	18,230	19,129
Total Local Currency Assets		170,865	154,700
TOTAL ASSETS		460,312	505,197
LIABILITIES			
Foreign Currency Liabilities			
Deposits	13	60,896	66,134
IMF facilities	14	35,128	39,744
International Monetary Fund	7	90,704	79,376
Other liabilities		16	9
Total Foreign Currency Liabilities		186,744	185,263
Local Currency Liabilities			
Deposits	13	151,958	191,897
Currency in circulation	15	77,900	76,109
Central Bank Securities	16	499	11,999
Deferred liability	17	30	37
Deferred income on grant assets	17	-	37
Payables and accruals		32,499	17,222
Provision for employee entitlements	18	354	728
Total Local Currency Liabilities		263,240	298,029
TOTAL LIABILITIES		449,984	483,292
CAPITAL AND RESERVES			
Capital	20	20,000	20,000
General reserve	21	10,645	14,049
Unrealised foreign exchange revaluation reserve	22	(20,317)	(12,144)
TOTAL CAPITAL AND RESERVES		10,328	21,905
TOTAL LIABILITIES, CAPITAL AND RESERVES		460,312	505,197

Signed on behalf of the Board:


Governor
Date 28/10/2016


Director
Date 28/10/2016

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

Central Bank of Sāmoa
Statement of Changes in Equity
For the year ended 30 June 2016

	Note	Paid up capital \$'000	Unrealised (loss)/profits reserve \$'000	General reserve \$'000	Total \$'000
Balance at 30 June 2014		20,000	6,211	7,947	34,158
Net loss for the year			(18,355)	(1,972)	(20,327)
Distribution to the Government of Sāmoa				8,074	8,074
Balance at 30 June 2015		20,000	(12,144)	14,049	21,905
Net loss for the year	22		(8,173)	(3,404)	(11,577)
Balance at 30 June 2016		20,000	(20,317)	10,645	10,328

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 2016

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	2016 \$'000	2015 \$'000
CASH FLOWS (USED BY)/FROM OPERATING ACTIVITIES:			
Cash received from investments		4,877	5,636
Cash received from rent		1,149	1,140
Cash paid for services and goods		(4,466)	(3,987)
Other income		679	674
Cash grant received		-	199
Cash grant utilised		-	(125)
Cash paid to employees		(3,743)	(3,604)
Interest paid on deposits		(495)	(248)
Net cash flows (used by)/from operating activities		(2,001)	(315)
CASH FLOWS (USED BY)/FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment		47	155
Purchase of property, plant and equipment	12	(298)	(211)
Credit line facilities granted during the year		(11,500)	(22,500)
Credit line facility repayments received during the year		6,429	5,141
Interest received on credit line facility		1,356	892
Net movement in term deposits and bank bills more than 90 days		4,278	24,742
Net cash (used by)/from investing activities		312	8,219
CASH FLOWS FROM/(USED BY) FINANCING ACTIVITIES:			
Net movement in notes and coins in circulation		1,791	11,966
Currency issue costs		(1,585)	(1,280)
Net movement in demand deposits		(39,939)	21,667
Net movement in securities		(11,500)	2,004
Net movement in external liabilities		3,286	88,716
Net cash flows (used by)/from financing activities		(47,947)	123,073
NET (DECREASE)/INCREASE IN CASH		(49,636)	130,977
Cash and cash equivalent at beginning of the period		369,054	256,432
Net unrealised losses on translation of foreign currency monetary assets and liabilities		(8,173)	(18,355)
CASH AND CASH EQUIVALENTS AT END OF YEAR		311,245	369,054

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

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

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 5th, 6th 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 28 October, 2016.

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.

(a) New and amended standards adopted by the Bank

The Bank has adopted the following new and amended IFRS's as of 1 July 2013:

- IAS1 'Presentation of Financial Statements' (effective from 1 January 2013). This revised standard amendment requires entities to group items presented in other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss in subsequent periods. The revised standard has not had a material impact on the financial statements.
- The Annual Improvements to IFRSs 2009 – 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Bank are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. There is no effect on the Bank's financial position or performance.

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

- IFRS13 'Fair value measurement' (effective from 1 January 2013). The standard replaces the guidance on fair value measurement in existing IFRS literature with a single standard. The standard is not expected to have a material impact on the financial statements.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

- *IFRS9 'Financial Instruments' (effective from 1 January 2015)*. The standard partly replaces IAS39 and introduces requirements for classifying and measuring financial assets and liabilities. The Bank is in the process of evaluating the potential effect of this standard.
- *Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014)*. The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014. Retrospective application is required. The Bank presently does not expect this amendment to have any impact on its financial position.
- *Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (effective for accounting periods beginning on or after 1 January 2014)*. The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. These standards do not apply to the Bank

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.

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

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.

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 Sāmoa'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 Sāmoan 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 Sāmoa Act 2015*. Interest revenue and expenses on foreign currency assets and liabilities are converted to Sāmoan tala using the relevant market exchange rate on the date they are accrued or recognised.

Local and Foreign deposits

The Central Bank of Sāmoa 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.

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

Australian dollar bank bills

In the course of its financial market operations the Central Bank of Sāmoa 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 Sāmoa 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 Sāmoa held with the Bank.

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 Sāmoa 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.

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

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

i. Capital and Reserves

The capital of the Central Bank is established by the Central Bank of Sāmoa 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 tala 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. 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.

k. Statutory reserve deposit

Under section 53 of the Central Bank of Sāmoa 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.

l. Employee benefits

The Bank contributes towards the Sāmoa 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.

m. 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.

n. Income tax

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

o. 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.

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.

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

4. Foreign currency cash balances and term deposit balances

	2016 \$'000	2015 \$'000
Cash balances	46,237	111,755
Fixed deposit balances	149,754	148,949
Total foreign currency cash and term deposit balances	195,991	260,704

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 2.84% per annum.

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

	2016 \$'000		2015 \$'000	
	Cash balances	Term Deposits	Cash balances	Term Deposits
\$US dollar denominated deposits	41,294	-	107,461	-
\$NZ dollar denominated deposits	1,501	88,005	1,001	68,245
\$AU dollar denominated deposits	2,429	54,911	2,584	68,602
\$CNH dollar denominated deposits	145	-	-	-
\$GBP dollar denominated deposits	868	6,838	709	12,102
Total	46,237	149,754	111,755	148,949

5. Local currency cash balances and term deposit balances

	2016 \$'000	2015 \$'000
Petty cash	5	5
Cash at bank	4,532	9,710
Fixed deposit balances	25,668	9,563
Total local currency cash and term deposit balances	30,205	19,278

The local currency term deposits range in maturing from 91 days to 365 days. The weighted average interest rate on the term deposits is 4.0% per annum.

6. Bank bills

	2016 \$'000	2015 \$'000
Balance outstanding at year end	-	3,713

Bank bills are short term money market investments purchased from the Reserve Bank of Australia and are denominated in \$AU dollars. The terms of the bank bills ranges from 182 days to 184 days. The weighted average interest rate on the term deposits is 2.23% per annum.

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

7. International Monetary Fund

The Government of Sāmoa membership to the International Monetary Fund (IMF) was obtained prior to the establishment of the Central Bank of Sāmoa, 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.

Sāmoa'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 Sāmoa to the IMF when it became a member. Sāmoa's quota is secured by the Sāmoan government promissory note issued to the IMF and is recorded as an asset denominated in SDR.

Sāmoa'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 30th June 2016:

	2016 \$'000 SAT	2015 \$'000 SAT
Foreign Currency Assets		
Currency Subscription - Quota	57,716	41,835
Special Drawing Right Holdings	34,765	43,524
Total foreign currency assets	92,481	85,359
Foreign Currency Liabilities		
Special Drawing Right Allocations	39,514	40,000
Currency Holding	51,190	39,376
Total foreign currency liabilities	90,704	79,376

8. Foreign currency accrued interest balances

	2016 \$'000	2015 \$'000
Balances with other Central Banks	164	9
Deposits with commercial banks	811	703
Amortized discount	-	9
Total foreign currency accrued interest	975	721

9. Currency inventory

	2016 \$'000	2015 \$'000
Currency notes	5,518	6,844
Coins	5,240	5,491
Total currency inventory	10,758	12,335

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

10. Receivables and prepayments

	2016 \$'000	2015 \$'000
Prepayments	3,745	583
Other debtors	657	461
Interest receivable on staff loans	505	194
Staff loans principal balance	6,351	7,381
Less allowance for impairment on staff loans	(108)	(111)
Net staff loans	<u>6,243</u>	<u>7,464</u>
Total receivables and prepayments	11,150	8,508
<i>Movement in allowance for impairment on staff loans</i>		
Opening balance at 1 July	111	124
Additional/(Reduction) allowance for impairment charged to income and expense	(3)	(13)
Closing balance at 30 June	108	111

11. Credit line facilities

	2016 \$'000	2015 \$'000
(a). Tsunami (Credit Line Facility)	12,164	14,042
(b). Cyclone Evan (Credit Line Facility)	38,613	41,600
(c). Economic Stimulus (Credit Line Facility)	28,369	29,797
(d). Additional Economic Stimulus(Credit Line Facility)	9,864	10,000
(e). Second Additional Economic Stimulus(Credit Line Facility)	11,500	-
Total credit line facilities	100,510	95,439

(a). Tsunami (CLF)

An Emergency Credit Line Facility was extended to the Development Bank of Sāmoa and the Sāmoa 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:

	2016 \$'000	2015 \$'000
Development Bank of Sāmoa	5,697	6,630
Sāmoa Housing Corporation	6,467	7,412
Balance at year end	12,164	14,042

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 Sāmoa	-Monthly Repayments	-\$193,000
	-Securities	-Government Guarantee
Sāmoa Housing Corporation	-Monthly Repayment	-\$96,000
	-Securities	-Government Guarantee

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

(b). Cyclone Evan (CLF)

Another Credit Line Facility was extended to the Development Bank of Sāmoa and the Sāmoa 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:

	2016	2015
	\$'000	\$'000
Development Bank of Sāmoa	34,368	37,041
Sāmoa Housing Corporation	4,245	4,559
Balance at year end	38,613	41,600

	<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 Sāmoa 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:

	2016	2015
	\$'000	\$'000
Development Bank of Sāmoa	28,369	29,797
Balance at year end	28,369	29,797

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 Sāmoa 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:

	2016	2015
	\$'000	\$'000
Development Bank of Sāmoa	9,864	10,000
Total additional credit line facility	9,864	10,000

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 Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

(e). Second Additional Economic Stimulus (CLF)

A second additional Credit Line Facility was extended to the Development Bank of Sāmoa 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:

	2016 \$'000	2015 \$'000
Development Bank of Sāmoa	11,500	-
Total additional credit line facility	11,500	-

Credit Line Loan Amount	\$11.5 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

12. Property, plant and equipment

	Land \$'000	Buildings \$'000	Plant & equipment \$'000	Motor vehicles \$'000	IT equipment \$'000	Furniture & fittings \$'000	Total \$'000
At Cost -							
At 30 June 2014	3,637	28,720	5,195	644	507	1,152	39,855
Additions		49	46	-	104	12	211
Disposals	-	-	-	(155)	-	-	(155)
At 30 June 2015	3,637	28,769	5,241	489	611	1,164	39,911
Additions	-	-	63	210	8	17	298
Disposals	-	-	(74)	(207)	-	(10)	(291)
At 30 June 2016	3,637	28,769	5,230	492	619	1,171	39,918
Depreciation -							
At 30 June 2014	-	(14,448)	(3,706)	(307)	(312)	(972)	(19,745)
Charge for the year		(704)	(306)	(88)	(63)	(36)	(1,186)
Disposals		-	-	150	-	-	150
At 30 June 2015	-	(15,152)	(4,012)	(245)	(365)	(1,008)	(20,782)
Charge for the year		(705)	(274)	(88)	(63)	(28)	(1,158)
Disposals		-	36	207	-	9	252
At 30 June 2016	-	(15,857)	(4,250)	(126)	(428)	(1,027)	(21,688)
Net Book Value -							
At 30 June 2015	3,637	13,617	1,229	244	246	156	19,129
At 30 June 2016	3,637	12,912	980	366	191	144	18,230

13. Deposits

	2016 \$'000	2015 \$'000
Foreign currency deposits		
Government of Sāmoa foreign currency deposits	60,896	66,134
Total foreign currency deposits	60,896	66,134

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

Local currency deposits		
Demand deposits due to banks	92,640	148,261
Government of Sāmoa local currency deposits	17,769	4,568
The World Bank deposits	105	351
	110,514	153,180
Statutory reserve deposits		
Domestic banks	40,504	37,777
Insurance companies	940	940
	41,444	38,717
Total local currency deposits	151,958	191,897

The Central Bank acts as banker, agent and depository of the Government of Sāmoa. Government funds deposited at the Central Bank are remunerated at a prevailing market rate. Interest expense for the year was \$0.4m tala (2015:\$0.2m tala)

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

14. International Monetary Fund – Facilities

	2016	2015
	\$'000	\$'000
(a). Exogenous Shock Facility	14,464	18,826
(b). Rapid Credit Facility	20,664	20,918
Balance at year end	35,128	39,744

(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 Sāmoa for the purpose of supporting Sāmoa'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 Sāmoa'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 2016 the balance of the loan in Sāmoan tala reduced to \$14.640 million which is equivalent to \$4.06 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 Sāmoa 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.

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

15. Currency in circulation

	2016 \$'000	2015 \$'000
Currency in circulation	77,900	76,109
Balance at year end	77,900	76,109

16. Central Bank Securities

	2016 \$'000	2015 \$'000
Central Bank Securities	499	11,999
Balance at year end	499	11,999

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 0.17 % per annum.

17. 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 30th June 2016, a total of \$30,100 from this fund has not been utilized and contractually still the property of the donor.

	2016 \$'000	2015 \$'000
Grant costs	-	125
Grant fixed assets	-	37
Grant deferred liability	30	37
Closing balance at 30 June	30	199

18. Provision for employee entitlements

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

	2016 \$'000	2015 \$'000
Opening balance at 1 July	728	787
Additional provisions charged to income during the year	785	609
Entitlements utilized during the year	(1,159)	(668)
Closing balance at 30 June	354	728

19. Distributable profits

Section 35 of the Central Bank of Sāmoa 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 Unrealised 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.

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

20. Capital

	2016 \$'000	2015 \$'000
Authorised, issued and paid up capital	20,000	20,000

The level of capital is monitored on a regular basis to ensure that it complies with the requirements of the Central Bank of Sāmoa 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.

21. General reserves

Section 33 of the Central Bank of Sāmoa 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 Reseve 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.

22. Unrealised profits/(losses) reserve

Consistent with the Central Bank of Sāmoa 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. Unrealised 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:

	2016 \$'000	2015 \$'000
<i>Profit distribution</i>		
Unrealised profit/(loss) transferred to unrealized profits /(losses)reserve	(8,173)	(18,355)
Net (loss)/income transferred to general reserves	(3,404)	(1,972)
Net (loss)/profit	(11,577)	(20,327)
 <i>Movement in Unrealised profits/(losse)s reserve</i>		
Opening balance at 1 July	(12,144)	6,211
Unrealised(losses) for the year	(8,173)	(18,355)
Closing balance at 30 June	(20,317)	(12,144)

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

23. Interest income

	2016 \$'000	2015 \$'000
Interest on cash accounts	718	1,107
Interest from discount securities (bank bills)	120	550
Interest on term deposits	4,039	3,979
Total interest income	4,877	5,636

24. Other income

	2016 \$'000	2015 \$'000
Interest on staff loans	237	214
Income from collectors & other income	442	460
Total other income	679	674

25. Related party disclosures

The Government of Sāmoa 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 2016, the number of key management personnel was 23 (2015: 18).

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

	2016 \$'000	2015 \$'000
Salaries and short-term employment benefits	1,436	1,789
Other long-term benefits	126	330
Total key management personnel remuneration	1,562	2,119

(ii) *Directors fees and board expenses*

Directors appointed from Government Corporations and Ministries do not receive a director's fee except for sitting allowances. Government regulations specify that director's fees are increased to \$18,000 per annum and sitting allowance now ceased commencing 1st July 2015.

	2016 \$'000	2015 \$'000
Directors fees	59	48
Board expenses	13	16
Total directors and board expenses	72	64

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

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

As at 30 June 2016, the following balances were receivable from or payable to related parties.

	2016 \$'000	2015 \$'000
Balances due to related parties	(78,718)	(77,702)
Balances due from related parties	2,126	2,474

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.

26. **Operating lease receivable**

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

	2016 \$'000	2015 \$'000
Not later than one year	1,300	1,300
Later than one year but not later than five years	2,600	2,600
Total operating lease receivable	3,900	3,900

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\$1,148,742 (2015: SAT\$1,140,196).

Direct operating expenses in relation to building floors leased out amounted to SAT\$896,503 (2015: SAT\$896,741). 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.

27. **Financial risk management**

(a) 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.

(b) 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)

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

Maturity analysis as at 30 June 2016

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
Foreign Currency Assets						
Cash balances	46,237	-	-	-	-	46,237
Fixed deposits	53,494	96,260	-	-	-	149,754
Bank bills	-	-	-	-	-	-
International Monetary Fund	-	-	-	-	92,481	92,481
Accrued interest	604	371	-	-	-	975
	100,335	96,631	-	-	92,481	289,447
Local Currency Assets						
Cash balances	4,537	-	-	-	-	4,537
Fixed deposits	-	25,668	-	-	-	25,668
Accrued interest	-	12	-	-	-	12
Currency stock on hand	-	-	-	-	14,085	14,085
Receivables and prepayments	-	765	370	6,351	337	7,823
Credit line facility	-	-	-	100,510	-	100,510
Property, plant and equipment	-	-	1,471	16,759	-	18,230
	4,537	26,445	1,841	123,620	14,422	170,865
Total Assets	104,872	123,076	1,841	123,620	106,903	460,312
Foreign Currency Liabilities						
Demand deposits	60,896	-	-	-	-	60,896
IMF Facilities	-	-	-	35,128	-	35,128
International Monetary Fund	-	-	-	-	90,704	90,704
Other liabilities	16	-	-	-	-	16
	60,912	-	-	35,128	90,704	186,744
Local Currency Liabilities						
Demand deposits	151,018	940	-	-	-	151,958
Currency in circulation	-	-	-	-	77,900	77,900
Central Bank Securities	499	-	-	-	-	499
Creditors and accruals	7,770	24,728	30	-	1	32,529
Provisions	-	-	-	354	-	354
	159,287	25,668	30	354	77,901	263,240
Total Liabilities	220,199	25,668	30	35,482	168,605	449,984
Net Assets	(115,327)	97,408	1,811	88,138	(61,702)	10,328

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

Maturity analysis as at 30 June 2015						
	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
Foreign Currency Assets						
Cash balances	111,755	-	-	-	-	111,755
Fixed deposits	42,762	96,239	9,948	-	-	148,949
Bank bills	1,373	2,340	-	-	-	3,713
International Monetary Fund	-	-	-	-	85,359	85,359
Accrued interest	123	592	6	-	-	721
	156,013	99,171	9,954	-	85,359	350,497
Local Currency Assets						
Cash balances	9,715	-	-	-	-	9,715
Fixed deposits	-	9,563	-	-	-	9,563
Accrued interest	-	11	-	-	-	11
Currency stock on hand	-	-	-	-	12,335	12,335
Receivables and prepayments	-	837	300	7,040	331	8,508
Credit line facility	-	-	-	95,439	-	95,439
Property, plant and equipment	-	-	1,717	17,412	-	19,129
	9,715	10,411	2,017	119,891	12,666	154,700
Total Assets	165,728	109,582	11,971	119,891	98,025	505,197
Foreign Currency Liabilities						
Demand deposits	66,134	-	-	-	-	66,134
IMF Facilities	-	-	-	39,744	-	39,744
International Monetary Fund	-	-	-	-	79,376	79,376
Other liabilities	9	-	-	-	-	9
	66,143	-	-	39,744	79,376	185,263
Local Currency Liabilities						
Demand deposits	190,957	940	-	-	-	191,897
Currency in circulation	-	-	-	-	76,109	76,109
Central Bank Securities	11,999	-	-	-	-	11,999
Creditors and accruals	687	16,538	37	-	34	17,296
Provisions	-	-	-	728	-	728
	203,643	17,478	37	728	76,143	298,029
Total Liabilities	269,786	17,478	37	40,472	155,519	483,292
Net Assets	(104,058)	92,104	11,934	79,419	(57,494)	21,905

(c) 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 optimising 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.

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

27. Financial risk management (cont'd)

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

<i>Foreign Assets SAT (\$M)</i>	USD	NZD	AUD	GBP	EUR	TOTAL
Cash balances with Central Banks	0.80	0.15	2.24	0.87	-	4.06
Cash balances with banks	-	1.68	-	-	-	1.68
Fixed deposits	-	88.01	54.91	6.84	-	149.75
Bank bills	-	-	-	-	-	-
Repurchase agreements	40.49	-	-	-	-	40.50
Total	41.29	89.84	57.15	7.71	-	195.99

Concentration of foreign currency balances

	USD	NZD	AUD	GBP	EUR	TOTAL
Cash balances with Central Banks	0.4%	-	1.1%	0.4%	-	1.9%
Cash balances with Banks	-	0.9%	-	-	-	0.9%
Fixed deposits	-	44.9%	28.1%	3.5%	-	76.5%
Bank bills	-	-	-	-	-	-
Repurchase agreements	20.7%	-	-	-	-	20.7%
Total	21.1%	45.8%	29.2%	3.9%	-	100.0%

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

	30 June 2016	30 June 2015
USD	0.39264	0.38996
NZD	0.55224	0.56854
AUD	0.52813	0.50727
GBP	0.29246	0.24790
EURO	0.35368	0.34705
SDR	0.28069	3.60650
CNY	2.60585	-
CNH	2.61310	-

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.

Sensitivity analysis

A 10% weakening of the Sāmoan tala against the above currencies at 30 June 2016 would have increased net income by the amounts shown below:

	2016 \$'000	2015 \$'000
USD	5,659	10,746
NZD	8,978	7,515
AUD	5,988	6,971
GBP	771	1,282
EURO	13	-
CNH	33	-
SDR	9,423	-
TOTAL	30,865	26,514

A 10% strengthening of the Sāmoan tala against the above currencies at 30 June 2016 would have an equal but opposite effect i.e.: decreased net income.

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

27. Financial risk management (cont'd)

(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 2016:

Foreign Exchange	Balance	Repricing period		
	Sheet	(\$M)		
	Total \$M	0-3 months	3-6 months	6-12 months
Cash balances with Central Banks	4.1	4.1	-	-
Cash balances with Banks	1.7	1.7	-	-
Fixed deposits	149.7	53.4	82.3	14.0
Bank bills	-	-	-	-
Repurchase agreements	40.5	40.5	-	-
TOTAL	196.0			

(d) 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.

Credit Ratings (Standard and Poors)

Foreign Investments	Risk rating of security issuer	Risk rating of counterparties	% of total assets as at 30 June 2016
Securities held under repurchase agreements with Central Banks	AAA		23.3
Deposits with Central Banks	AAA		3.5
Cash with other Central Banks			3.5
Subtotal balances with Central Banks			30.3
Bank Bills			0.0
WPAC		AA-	0.0
NAB		AA-	0.0
CBA		AA-	0.0
Deposits with commercial bank			68.9
ANZ		AA-	8.6
BNZ		AA-	2.6
BOC		A	12.7
RABO		A+	10.7
WBC		AA-	34.3
Other (cash)			0.8
ANZ		AA-	0.2
BNZ		AA-	0.2
BOC		A	0.2
WBC		AA-	0.2
Subtotal balances with commercial Banks			69.7
TOTAL			100.0

27. Financial risk management (cont'd)

(e) 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.

28. 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.

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.

29. Commitments for expenditure

The Directors are aware of the Bank's commitment at 30th June 2016 as follows:

- (i) Building of an offsite office for disaster recovery purposes at its Ululoloa property. The project is estimated at around \$10 - \$15 million tala with the second phase of the project in progress (2015: SAT\$54,904)
- (ii) Modification and upgrade of elevator at the cost of \$436,000 work now in progress.

30. Contingent liabilities

(i) Lease on property not finalised

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

Central Bank of Sāmoa
Notes to the financial statements
For the year ended 30 June 2016

30. Contingent liabilities (cont'd)

(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\$59,679. (2015: SAT\$96,859).