



CENTRAL BANK OF SAMOA

# CENTRAL BANK OF SAMOA

## Financial Statements

For the year ended 30<sup>th</sup> June 2017

**BDO**

Central Bank of Samoa  
Financial Statements  
For the year ended 30 June 2017  
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Central Bank of Sāmoa  
Management's Statement  
For the year ended 30 June 2017


**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 Atalina Ainuu-Enari**  
Governor



**Peniamina Tauati**  
Manager Accounts & Budget



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

Dated: 31/10/2017

Dated: 31/10/2017

Central Bank of Sāmoa  
Directors' Statement  
For the year ended 30 June 2017

The Directors present their report together with the financial statements of the Central Bank of Sāmoa ("the Bank") for the year ended 30 June 2017 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	Tuaia 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 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 2017.
- (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 2017.

**Operating Results**

The result for the year is a net profit of \$6.0 million tala (2016 net loss of \$11.6 million tala)

**Reserves**


The Directors recommend that a net profit of \$6.0 million tala be transferred to reserves.

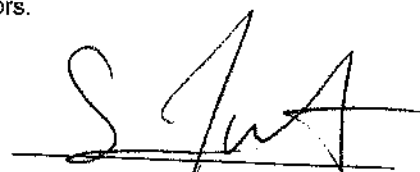
**Dividends**

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: 31<sup>st</sup> October, 2017

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

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**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 2017, the Statements of Financial Performance, 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 2017, 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 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.

Our audit was completed on the 31<sup>st</sup> October 2017 and our opinion is expressed as at that date.

Fa'amatuainu Dennis Margraff  
**ACTING CONTROLLER AND AUDITOR GENERAL**

Apia, Samoa  
31 October 2017



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BDO Samoa  
Vaitefe St. Lalovaea,  
POBox 859  
Apia Samoa

## INDEPENDENT AUDITOR'S REPORT

To the Controller and Auditor General on Central Bank of Samoa

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Central Bank of Samoa, which comprises:

- the statement of financial position as at June 30, 2017;
- the statement of financial performance, statement of changes in equity, and statement of cash flows for the year then ended; 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 as at June 30, 2017, and its financial performance and its 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 the Financial Statements* section of our report. We are independent of the Secretariat 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.

#### 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 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 Secretariat or to cease operations, or has 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 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 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 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 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 Central Bank of Samoa's 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 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 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.

**BDO**

Chartered Accountants



Taimalie Ernest Betham  
Partner

Apia  
Samoa

31 October 2017



Central Bank of Sāmoa  
Statement of Financial Performance  
For the year ended 30 June 2017

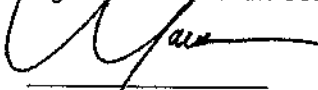
	Notes	2017 \$('000)	2016 \$('000)
<b>Income</b>			
Interest income on cash and investments	22	5,347	4,877
Interest income on lending		1,768	1,356
Rental income		1,277	1,149
Other income	23	2,643	679
<b>Total income</b>		<b>11,035</b>	<b>8,061</b>
<b>Expenses</b>			
Administrative expenses		1,657	1,637
Board expenses	24 (ii)	14	13
Communication costs		307	299
Currency issue costs		2,383	1,585
Depreciation	11	1,148	1,158
Directors fees	24(iii)	70	59
External audit costs		35	35
Finance costs		595	495
Occupancy costs		686	594
Staff costs		4,541	5,535
Withholding tax on interest income		41	55
<b>Total expenses</b>		<b>11,477</b>	<b>11,465</b>
<b>Loss before foreign currency translation</b>		<b>(442)</b>	<b>(3,404)</b>
Net gains/(losses) on translation of foreign currency monetary assets and liabilities		6,491	(8,173)
<b>Net Profit/(Loss) for the year</b>	21	<b>6,049</b>	<b>(11,577)</b>

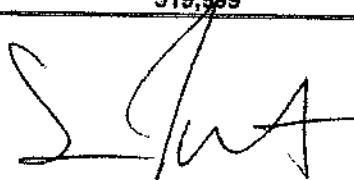
The accompanying notes form an integral part of the above financial statement

Central Bank of Samoa  
Statement of Financial Position  
As at 30 June 2017

ASSETS	Notes	2017 \$('000)	2016 \$('000)
<b>Foreign Currency Assets</b>			
Cash and fixed deposit balances	4	251,749	195,991
International Monetary Fund	6	86,517	92,481
Accrued interest	7	1,999	975
<b>Total Foreign Currency Assets</b>		<b>340,265</b>	<b>289,447</b>
<b>Local Currency Assets</b>			
Cash and fixed deposit balances	5	40,494	30,205
Accrued interest		12	12
Currency inventory	8	15,490	10,758
Receivables and prepayments	9	6,800	11,150
Credit line facilities	10	99,054	100,510
Property, plant and equipment	11	17,884	18,230
<b>Total Local Currency Assets</b>		<b>179,734</b>	<b>170,865</b>
<b>TOTAL ASSETS</b>		<b>519,999</b>	<b>460,312</b>
<b>LIABILITIES</b>			
<b>Foreign Currency Liabilities</b>			
Deposits	12	67,026	60,896
IMF facilities	13	30,354	35,128
International Monetary Fund	6	88,828	90,704
Other liabilities		16	16
<b>Total Foreign Currency Liabilities</b>		<b>186,224</b>	<b>186,744</b>
<b>Local Currency Liabilities</b>			
Deposits	12	199,498	151,958
Currency in circulation	14	89,609	77,900
Central Bank Securities	15	-	499
Deferred liability	16	30	30
Payables and accruals		27,821	32,499
Provision for employee entitlements	17	441	354
<b>Total Local Currency Liabilities</b>		<b>317,399</b>	<b>263,240</b>
<b>TOTAL LIABILITIES</b>		<b>503,623</b>	<b>449,984</b>
<b>CAPITAL AND RESERVES</b>			
Capital	19	20,000	20,000
General reserve	20	10,202	10,645
Unrealised foreign exchange revaluation reserve	21	(13,826)	(20,317)
<b>TOTAL CAPITAL AND RESERVES</b>		<b>16,376</b>	<b>10,328</b>
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>		<b>519,999</b>	<b>460,312</b>

Signed on behalf of the Board:

  
Governor  
Date 31/10/2017

  
Director  
Date 31/10/2017

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 2017

	Note	Paid up capital \$'000	Unrealised (loss)/profits reserve \$'000	General reserve \$'000	Total \$'000
<b>Balance at 30 June 2015</b>		20,000	(12,144)	14,048	21,904
Net loss for the year			(8,173)	(3,404)	(11,577)
<b>Balance at 30 June 2016</b>		20,000	(20,317)	10,645	10,327
Net profit/(loss) for the year	21		6,491	(442)	6,049
<b>Balance at 30 June 2017</b>		20,000	(13,826)	10,202	16,376

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 2017

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	2017	2016
		\$'000	\$'000
<b>CASH FLOWS (USED BY)/FROM OPERATING ACTIVITIES:</b>			
Cash received from investments		5,347	4,877
Cash received from rent		1,277	1,149
Cash paid for services and goods		(3,882)	(4,468)
Other income		2,643	679
Cash paid to employees		(3,440)	(3,743)
Interest paid on deposits		(595)	(495)
<b>Net cash flows (used by)/from operating activities</b>		<b>1,350</b>	<b>(2,001)</b>
<b>CASH FLOWS (USED BY)/FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment		1	47
Purchase of property, plant and equipment	11	(801)	(298)
Credit line facilities granted during the year		(3,500)	(11,500)
Credit line facility repayments received during the year		4,955	6,429
Interest received on credit line facility		1,768	1,356
Net movement in term deposits and bank bills more than 90 days		1,404	4,278
<b>Net cash (used by)/from investing activities</b>		<b>3,827</b>	<b>312</b>
<b>CASH FLOWS FROM/(USED BY) FINANCING ACTIVITIES:</b>			
Net movement in notes and coins in circulation		11,709	1,791
Currency issue costs		(2,383)	(1,585)
Net movement in demand deposits		53,670	(39,939)
Net movement in securities		(499)	(11,500)
Net movement in external liabilities		(6,650)	3,286
<b>Net cash flows (used by)/from financing activities</b>		<b>55,847</b>	<b>(47,947)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>61,024</b>	<b>(49,636)</b>
Cash and cash equivalent at beginning of the period		311,245	369,054
Net unrealised losses on translation of foreign currency monetary assets and liabilities		6,491	(8,173)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>378,760</b>	<b>311,245</b>

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 2017**

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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 \_\_\_\_\_, 2017.

**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.

Central Bank of Sāmoa  
Notes to the financial statements  
For the year ended 30 June 2017

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**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.

Central Bank of Sāmoa  
Notes to the financial statements  
For the year ended 30 June 2017

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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.

Central Bank of Sāmoa  
Notes to the financial statements  
For the year ended 30 June 2017

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.



**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. Revenue recognition**

The Bank's main source of income is from the interest earned from various investments 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.

**l. 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.

**m. 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.

**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 Sāmoa 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.

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.

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4. Foreign currency cash balances and term deposit balances

	2017 \$'000	2016 \$'000
Cash balances	80,720	46,237
Fixed deposit balances	171,029	149,754
<b>Total foreign currency cash and term deposit balances</b>	<b>251,749</b>	<b>195,991</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 3.20% per annum.

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

	2017 \$'000		2016 \$'000	
	Cash balances	Term Deposits	Cash balances	Term Deposits
\$US dollar denominated deposits	76,600	-	41,294	-
\$NZ dollar denominated deposits	1,766	77,912	1,501	88,005
\$AU dollar denominated deposits	1,897	57,088	2,429	54,911
\$CNH dollar denominated deposits	77	36,029	145	-
\$GBP dollar denominated deposits	380	-	868	6,838
<b>Total</b>	<b>80,720</b>	<b>171,029</b>	<b>46,237</b>	<b>149,754</b>

5. Local currency cash balances and term deposit balances

	2017 \$'000	2016 \$'000
Petty cash	5	5
Cash at bank	12,836	4,532
Fixed deposit balances	27,653	25,668
<b>Total local currency cash and term deposit balances</b>	<b>40,494</b>	<b>30,205</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 4.0% per annum.

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**6. 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 30<sup>th</sup> June 2017:

	2017 \$'000 SAT	2016 \$'000 SAT
<b>Foreign Currency Assets</b>		
Currency Subscription - Quota	56,522	57,716
Special Drawing Right Holdings	29,995	34,765
<b>Total foreign currency assets</b>	<b>86,517</b>	<b>92,481</b>
<b>Foreign Currency Liabilities</b>		
Special Drawing Right Allocations	38,697	39,514
Currency Holding	50,131	51,190
<b>Total foreign currency liabilities</b>	<b>88,828</b>	<b>90,704</b>

**7. Foreign currency accrued interest balances**

	2017 \$'000	2016 \$'000
Balances with other Central Banks	209	164
Deposits with commercial banks	1,790	811
<b>Total foreign currency accrued interest</b>	<b>1,999</b>	<b>975</b>

**8. Currency inventory**

	2017 \$'000	2016 \$'000
Currency notes	3,946	5,518
Coins	11,544	5,240
<b>Total currency inventory</b>	<b>15,490</b>	<b>10,758</b>



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**9. Receivables and prepayments**

	2017 \$'000	2016 \$'000
Prepayments	395	3,745
Other debtors	983	657
Interest receivable on staff loans	538	505
Staff loans principal balance	4,995	6,351
Less allowance for impairment on staff loans	(111)	(108)
Net staff loans	4,883	6,243
<b>Total receivables and prepayments</b>	<b>6,800</b>	<b>11,150</b>
<b>Movement in allowance for impairment on staff loans</b>		
Opening balance at 1 July	108	111
Additional/(Reduction) allowance for impairment charged to income and expense	3	(3)
<b>Closing balance at 30 June</b>	<b>111</b>	<b>108</b>

**10. Credit line facilities**

	2017 \$'000	2016 \$'000
(a). Tsunami (Credit Line Facility)	10,231	12,164
(b). Cyclone Evan (Credit Line Facility)	38,294	38,613
(c). Economic Stimulus (Credit Line Facility)	26,569	28,369
(d). Additional Economic Stimulus(Credit Line Facility)	9,307	9,864
(e). Second Additional Economic Stimulus(Credit Line Facility)	14,653	11,500
<b>Total credit line facilities</b>	<b>99,054</b>	<b>100,510</b>

**(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:

	2017 \$'000	2016 \$'000
Development Bank of Sāmoa	4,736	5,697
Sāmoa Housing Corporation	5,495	6,467
<b>Balance at year end</b>	<b>10,231</b>	<b>12,164</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 Sāmoa	-Monthly Repayments	-\$193,000
	-Securities	-Government Guarantee
Sāmoa Housing Corporation	-Monthly Repayment	-\$96,000
	-Securities	-Government Guarantee

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**(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:

	2017	2016
	\$'000	\$'000
Development Bank of Sāmoa	34,368	34,368
Sāmoa Housing Corporation	3,926	4,245
<b>Balance at year end</b>	<b>38,294</b>	<b>38,613</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 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:

	2017	2016
	\$'000	\$'000
Development Bank of Sāmoa	26,569	28,369
<b>Balance at year end</b>	<b>26,569</b>	<b>28,369</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 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:

	2017	2016
	\$'000	\$'000
Development Bank of Sāmoa	9,307	9,864
<b>Total additional credit line facility</b>	<b>9,307</b>	<b>9,864</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

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(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:

	2017 \$'000	2016 \$'000
Development Bank of Sāmoa	14,653	11,500
<b>Total additional credit line facility</b>	<b>14,653</b>	<b>11,500</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

11. Property, plant and equipment

	Land \$'000	Buildings \$'000	Plant & equipment \$'000	Motor vehicles \$'000	IT equipment \$'000	Furniture & fittings \$'000	Total \$'000
<b>At Cost -</b>							
At 30 June 2015	3,637	28,769	5,241	489	611	1,164	39,911
Additions	-	-	63	210	8	17	298
Disposals	-	-	(74)	(297)	-	(10)	(291)
At 30 June 2016	3,637	28,769	5,230	492	619	1,171	39,918
Additions	-	689	70	-	3	39	801
Disposals	-	-	(13)	-	-	(12)	(25)
At 30 June 2017	3,637	29,457	5,287	492	622	1,198	40,693
<b>Depreciation -</b>							
At 30 June 2015	-	(15,152)	(4,012)	(245)	(365)	(1,008)	(20,782)
Charge for the year	-	(705)	(274)	(88)	(33)	(28)	(1,158)
Disposals	-	-	36	207	-	9	252
At 30 June 2016	-	(15,857)	(4,250)	(126)	(428)	(1,027)	(21,688)
Charge for the year	-	(711)	(251)	(98)	(59)	(28)	(1,148)
Disposals	-	-	13	-	-	12	25
At 30 June 2017	-	(16,568)	(4,488)	(223)	(488)	(1,042)	(22,809)
<b>Net Book Value -</b>							
At 30 June 2016	3,637	12,912	980	366	191	144	18,230
At 30 June 2017	3,637	12,889	799	268	135	155	17,884

12. Deposits

	2017 \$'000	2016 \$'000
Foreign currency deposits		
Government of Sāmoa foreign currency deposits	67,026	60,896
<b>Total foreign currency deposits</b>	<b>67,026</b>	<b>60,896</b>

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<b>Local currency deposits</b>		
Demand deposits due to banks	123,273	92,640
Government of Sāmoa local currency deposits	31,545	17,769
The World Bank deposits	132	105
	<b>154,950</b>	<b>110,514</b>
<b>Statutory reserve deposits</b>		
Domestic banks	43,658	40,504
Insurance companies	890	940
	<b>44,548</b>	<b>41,444</b>
<b>Total local currency deposits</b>	<b>199,498</b>	<b>151,958</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 \$0.6m tala (2016:\$0.4m tala)

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

**13. International Monetary Fund – Facilities**

	2017	2016
	\$'000	\$'000
(a). Exogenous Shock Facility	10,118	14,464
(b). Rapid Credit Facility	20,236	20,664
<b>Balance at year end</b>	<b>30,354</b>	<b>35,128</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 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 2017 the balance of the loan in Sāmoan tala reduced to \$10.118 million which is equivalent to \$2.90 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.



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14. Currency in circulation

	2017 \$'000	2016 \$'000
Currency in circulation	89,609	77,900
<b>Balance at year end</b>	<b>89,609</b>	<b>77,900</b>

15. Central Bank Securities

	2017 \$'000	2016 \$'000
Central Bank Securities	-	499
<b>Balance at year end</b>	<b>-</b>	<b>499</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 28 days. The weighted average interest rate of the securities is 0.14 % per annum.

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

	2017 \$'000	2016 \$'000
Grant costs	-	-
Grant fixed assets	-	-
Grant deferred liability	30	30
<b>Closing balance at 30 June</b>	<b>30</b>	<b>30</b>

17. Provision for employee entitlements

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

	2017 \$'000	2016 \$'000
Opening balance at 1 July	354	728
Additional provisions charged to income during the year	341	785
Entitlements utilized during the year	(254)	(1,159)
<b>Closing balance at 30 June</b>	<b>441</b>	<b>354</b>

18. 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 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.

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**19. Capital**

	2017 \$'000	2016 \$'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 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.

**20. 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 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 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. 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:

	2017 \$'000	2016 \$'000
<b><i>Profit distribution</i></b>		
Unrealised profit/(loss) transferred to unrealized profits/(losses)reserve	6,491	(8,173)
Net (loss)/income transferred to general reserves	(442)	(3,404)
<b>Net profit/(loss)</b>	<b>6,049</b>	<b>(11,577)</b>
<b><i>Movement in Unrealised profits/(losse)s reserve</i></b>		
Opening balance at 1 July	(20,317)	(12,144)
Unrealized Profits/(losses) for the year	6,491	(8,173)
<b>Closing balance at 30 June</b>	<b>(13,826)</b>	<b>(20,317)</b>

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**22. Interest income**

	2017 \$'000	2016 \$'000
Interest on cash accounts	1,225	718
Interest from discount securities (bank bills)	-	120
Interest on term deposits	4,122	4,039
<b>Total interest income</b>	<b>5,347</b>	<b>4,877</b>

**23. Other Income**

	2017 \$'000	2016 \$'000
Interest on staff loans	247	217
Income from collectors & other income	2,396	442
<b>Total other income</b>	<b>2,643</b>	<b>679</b>

**24. 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 2017, the number of key management personnel was 23 (2016: 23).

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

	2017 \$'000	2016 \$'000
Salaries and short-term employment benefits	1,312	1,436
Other long-term benefits	121	126
<b>Total key management personnel remuneration</b>	<b>1,433</b>	<b>1,562</b>

**(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 \$18,000 gross per annum and sitting allowance ceased since 1<sup>st</sup> July 2015.

	2017 \$'000	2016 \$'000
Directors fees	70	59
Board expenses	14	13
<b>Total directors and board expenses</b>	<b>84</b>	<b>72</b>



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

As at 30 June 2017, the following balances were receivable from or payable to related parties.

	2017 \$'000	2016 \$'000
Balances due to related parties	(98,571)	(78,718)
Balances due from related parties	2,012	2,126

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:

	2017 \$'000	2016 \$'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\$1,276,867 (2016: SAT\$1,148,742).

Direct operating expenses in relation to building floors leased out amounted to SAT\$936,539 (2016: SAT\$896,503). 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**

**(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)

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**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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**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
<b>Foreign Currency Assets</b>						
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	6	-	-	975
	100,335	96,631	6	-	92,481	289,447
<b>Local Currency Assets</b>						
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
<b>Total Assets</b>	<b>104,872</b>	<b>123,076</b>	<b>1,841</b>	<b>123,620</b>	<b>106,903</b>	<b>460,312</b>
<b>Foreign Currency Liabilities</b>						
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
<b>Local Currency Liabilities</b>						
Demand deposits	151,018	940	-	-	-	151,958
Currency in circulation	-	-	-	-	76,109	76,109
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	77,801	298,029
<b>Total Liabilities</b>	<b>220,199</b>	<b>25,668</b>	<b>30</b>	<b>35,482</b>	<b>168,605</b>	<b>449,984</b>
<b>Net Assets</b>	<b>(115,327)</b>	<b>97,408</b>	<b>1,811</b>	<b>88,138</b>	<b>(61,702)</b>	<b>10,328</b>

**(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 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 Samoan Tala. The Bank has adopted a currency risk management policy, which maintains the Samoan 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.

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26. 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	CNY	TOTAL
Cash balances with Central Banks	0.87	0.09	1.47	0.38	0.002	2.82
Cash balances with banks	-	1.67	0.42	-	0.075	2.17
Fixed deposits	-	77.91	36.03	-	57.09	171.03
Bank bills	-	-	-	-	-	-
Repurchase agreements	75.73	-	-	-	-	75.73
<b>Total</b>	<b>76.60</b>	<b>79.68</b>	<b>37.927</b>	<b>0.38</b>	<b>57.17</b>	<b>251.75</b>

*Concentration of foreign currency balances*

	USD	NZD	AUD	GBP	CNY	TOTAL
Cash balances with Central Banks	0.3%	-	0.6%	0.2%	-	1.1%
Cash balances with Banks	-	0.7%	0.2%	-	-	0.9%
Fixed deposits	-	30.9%	14.3%	-	22.7%	67.9%
Bank bills	-	-	-	-	-	-
Repurchase agreements	30.1%	-	-	-	-	30.1%
<b>Total</b>	<b>30.4%</b>	<b>31.6%</b>	<b>15.1%</b>	<b>0.2%</b>	<b>22.7%</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:

	30 June 2017	30 June 2016
USD	0.39879	0.39264
NZD	0.54677	0.55224
AUD	0.51902	0.52813
GBP	0.30687	0.29246
EURO	0.34868	0.35368
SDR	0.28661	0.28069
CNY	2.70657	2.60585
CNH	2.71102	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 2017 would have increased net income by the amounts shown below:

	2017 \$'000	2016 \$'000
USD	7,706	5,659
NZD	8,345	8,978
AUD	3,686	5,988
GBP	212	771
EURO	95	13
CNH	5,646	33
SDR	8,986	9,423
<b>TOTAL</b>	<b>34,676</b>	<b>30,865</b>

A 10% strengthening of the Sāmoan tala against the above currencies at 30 June 2017 would have an equal but opposite effect i.e.: decreased net income.

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26. 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 2017:

Foreign Exchange	Balance	Repricing period		
	Sheet	-\$M		
	Total \$M	0-3 months	3-6 months	6-12 months
Cash balances with Central Banks	2.8	-	-	-
Cash balances with Banks	2.2	-	-	-
Fixed deposits	171.0	1.3	60.0	109.80
Bank bills	-	-	-	-
Repurchase agreements	<u>75.7</u>	75.7	-	-
<b>TOTAL</b>	<b><u>251.70</u></b>			

(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 Samoa 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.

Foreign Investments	Risk rating of security issuer	Risk rating of counterparties	% of total assets as at 30 June 2017
Securities held under repurchase agreements with Central Banks	AAA		29.8
Deposits with Central Banks	AAA		20.8
Cash with other Central Banks			1.1
<b>Subtotal balances with Central Banks</b>			<b>52.0</b>
<b>Bank Bills</b>			<b>0.0</b>
WPAC		AA-	0.0
NAB		AA-	0.0
CBA		AA-	0.0
<b>Deposits with commercial bank</b>			<b>47.0</b>
ANZ		AA-	0.0
BNZ		AA-	4.3
BOC		A	16.4
RABO		A	0.0
WBC		AA-	26.7
<b>Other (cash)</b>			<b>1.0</b>
ANZ		AA-	0.2
BNZ		AA-	0.2
BOC		A	0.2
WBC		AA-	0.3
<b>Subtotal balances with commercial Banks</b>			<b>48.0</b>
<b>TOTAL</b>			<b>100.0</b>



**26. 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.

**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.

*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 2017 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 process of tendering for the Construction Company in progress (2016: SAT\$496,998)

**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 Sāmoa. Terms and conditions of the lease are yet to be finalised.

**29. 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\$2,099,096. (2016: SAT\$59,679).