

# Financial Statements

Central Bank of Samoa

For the year ended 30 June 2020

**Central Bank of Samoa  
Financial Statements  
For the year ended 30 June 2020**

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**Central Bank of Samoa  
Management's Statement  
For the year ended 30 June 2020**

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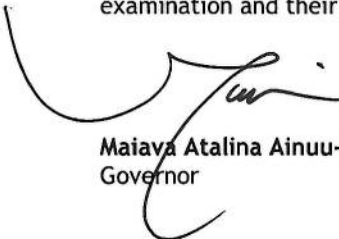
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

The board of directors oversee management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the board of directors on recommendation from management.

Our independent auditors, BDO, have been appointed by the Controller and Auditor General, have audited our financial statements. The Samoa Audit Office has also reviewed the work of the appointed auditors. The accompanying independent auditors' report of the Samoa Audit Office outlines the scope of their examination and their opinion.



**Maiava Atalina Ainuu-Enari**  
Governor



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

Dated: 27/10/2020

Dated: 27/10/2020



**Peniamina Tauati**  
Manager Accounts & Budget

Dated: 27/10/2020

**Central Bank of Samoa  
Directors' Statement  
For the year ended 30 June 2020**

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The directors present their report together with the financial statements of the Central Bank of Samoa ("the bank") for the year ended 30 June 2020 as set out on the accompanying pages and the auditors' report thereon in accordance with the requirements of the Central Bank of Samoa act 2015.

**Directors**

The directors of the bank at the date of this report are:

Chairperson & Governor	Maiava Atalina AINU'U-ENARI
Director	Matai'a Alofipo Daniel Meredith
Director	Tuala Falani Chan Tung
Director	Tuala Pat Leota

**Principal activity**

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

**State of affairs**

In the opinion of the directors:

- (I) The accompanying statement of financial performance, statement of changes in equity and statement of cash flows are drawn up so as to give a true and fair view of the operations and results of the bank for the year ended 30 June 2020.
- (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 2020.

**Operating**

The result for the year is a net profit of \$3.8 million tala (2019 net loss of \$3.5 million tala).

**Reserves**

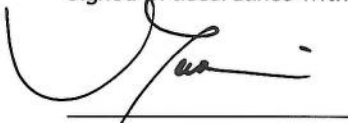
The Directors recommend that a net profit of \$3.8 million tala be transferred to reserves.

**Dividends**

In accordance with the requirements of the Central Bank of Samoa Act 2015, the Directors recommend a dividend of \$2.1 million be paid to the Government of Samoa.

Dated at Apia: 27<sup>th</sup> October, 2020

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 of the Statement of Financial Position as at 30 June 2020, the Statements of Comprehensive Income, Changes in Equity and Cash Flows and for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of BDO, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Taimalie Ernest Betham.

In our opinion, the financial statements give a true and fair view of the financial position of the Central Bank of Samoa as at 30 June 2020, 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.

**Other Information**

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

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

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

**Responsibilities of 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.



## AUDIT OFFICE

Please address all correspondences  
to the Controller and Auditor General

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank of Samoa's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Central Bank of Samoa's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Central Bank of Samoa to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### Report on Other Legal and Regulatory Requirements

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

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

We also confirm that:

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

Our audit was completed on the 27<sup>th</sup> October 2020 and our opinion is expressed as at that date.

Apia, Samoa  
29 October 2020

Jaslyn T. Mariner-Leota  
**ASSISTANT CONTROLLER AND AUDITOR GENERAL**

**Central Bank of Samoa**  
**Statement of Financial Performance**  
**For the year ended 30 June 2020**

	Note	2020 \$('000)	2019 \$('000)
<b>Income</b>			
Interest income on cash and investments	22	10,197	11,024
Interest income on lending		1,699	1,083
Rental income		1,199	1,274
Other income	23	3,823	776
<b>Total Income</b>		<b>16,918</b>	<b>14,157</b>
<b>Expenses</b>			
Administrative expenses		1,590	1,910
Board expenses	24 (ii)	23	13
Communication costs		393	360
Currency issue costs		2,115	2,312
Depreciation	12	1,054	1,138
Directors fees	24 (ii)	63	82
External audit costs		44	44
Finance costs		1,052	1,531
Occupancy costs		649	688
Staff costs		5,621	5,215
Withholding tax on interest income		56	51
<b>Total Expenses</b>		<b>12,660</b>	<b>13,344</b>
<b>Profit before foreign currency translation</b>		<b>4,258</b>	<b>813</b>
Foreign exchange losses	21	(447)	(4,401)
<b>Net profit/(loss) for the year</b>		<b>3,811</b>	<b>(3,588)</b>


The accompanying notes form part of these financial statement.


**Central Bank of Samoa**  
**Statement of Financial Position**  
**As at 30 June 2020**

	Note	2020 \$('000)	2019 \$('000)
<b>ASSETS</b>			
<b>Foreign currency assets</b>			
Cash and fixed deposit balances	5	573,521	463,350
International monetary fund	7	71,873	77,819
Accrued interest	8	1,786	2,055
<b>Total foreign currency assets</b>		<b>647,180</b>	<b>543,224</b>
<b>Local currency assets</b>			
Cash and fixed deposit balances	6	50,857	38,394
Accrued interest		14	12
Currency inventory	9	12,948	14,880
Receivables and prepayments	10	7,442	8,638
Credit line facilities	11	86,639	95,733
Property, plant and equipment	12	18,696	18,138
<b>Total local currency assets</b>		<b>176,596</b>	<b>175,795</b>
<b>Total assets</b>		<b>823,776</b>	<b>719,019</b>
<b>LIABILITIES</b>			
<b>Foreign currency liabilities</b>			
Deposits	13	109,966	86,284
IMF facilities	14	72,533	19,091
International monetary fund	7	93,832	93,110
Other liabilities		17	15
<b>Total foreign currency liabilities</b>		<b>276,348</b>	<b>198,500</b>
<b>Local currency liabilities</b>			
Deposits	13	356,912	317,120
Currency in circulation	15	131,745	124,254
Central bank securities	16	-	19,993
Payables and accruals		34,920	42,826
Provision for employee entitlements	17	496	447
<b>Total local currency liabilities</b>		<b>524,073</b>	<b>504,640</b>
<b>Total liabilities</b>		<b>800,421</b>	<b>703,140</b>
<b>Net assets</b>		<b>23,355</b>	<b>15,879</b>
<b>EQUITY</b>			
Capital	19	20,000	20,000
General reserve	20	18,987	11,064
Unrealised foreign exchange revaluation reserve	21	(15,632)	(15,185)
<b>Total equity</b>		<b>23,355</b>	<b>15,879</b>

The accompanying notes form part of these Financial Statements

Signed on behalf of the Board:

  
 \_\_\_\_\_  
 Governor  
 Date 27/10/2020

  
 \_\_\_\_\_  
 Director  
 Date 27/10/2020



**Central Bank of Samoa  
Statement of Changes in Equity  
For the year ended 30 June 2020**

	Note	Paid up capital \$(‘000)	Unrealised (loss)/profit reserve \$(‘000)	General reserve \$(‘000)	Total \$(‘000)
<b>Balance at 30 June 2018</b>		20,000	(10,784)	10,251	19,466
Net profit/(loss) for the year		-	(4,401)	813	(3,588)
<b>Balance at 30 June 2019</b>		20,000	(15,185)	11,064	15,879
Excess of face value of coins already issued into circulation over its cost not be returned for redemption by the CBS		-	-	5,794	5,794
		20,000	(15,185)	16,858	21,673
Net profit/(loss) for the year	21	-	(447)	4,258	3,811
Profit transferred to Govt in terms of Sect 3b(i) (b) of CBS Act 2015		-	-	(2,129)	(2129)
<b>Balance at 30 June 2020</b>		<b>20,000</b>	<b>(15,632)</b>	<b>18,987</b>	<b>23,355</b>

The accompanying notes form part of these Financial Statements

**Central Bank of Samoa**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

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	2020 \$( '000)	2019 \$( '000)
<b>Cash flows from operating activities</b>			
Cash received from investments		10,192	11,024
Cash received from rent		1,199	1,274
Other income		3,823	776
Cash paid for services and goods		(4,763)	(5,815)
Cash paid to employees		(4,259)	5,183
Interest paid on deposits		(1,052)	(1,531)
<b>Net cash from operating activities</b>		<b>5,140</b>	<b>10,911</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		2	2
Credit line facility repayments received during the year		9,094	5,919
Interest received on credit line facility		1,699	1,083
Purchase of property, plant and equipment	12	(1,613)	(932)
Credit line facilities granted during the year		-	(5,000)
Net movement in term deposits more than 90 days		(203)	(25,387)
<b>Net cash from investing activities</b>		<b>8,979</b>	<b>(24,315)</b>
<b>Cash flows from financing activities</b>			
Net movement in notes and coins in circulation		7,491	22,630
Net movement in demand deposits		39,792	88,649
Currency issue costs		(2,115)	(1,366)
Net movement in securities		(20,000)	(3,502)
Net movement in external liabilities		77,848	(557)
<b>Net cash from financing activities</b>		<b>103,016</b>	<b>105,854</b>
<b>Net increase in cash and cash equivalents</b>		<b>117,135</b>	<b>92,450</b>
Cash and cash equivalents at the beginning of the year		579,563	491,514
Net unrealised losses on translation of foreign currency monetary assets and liabilities		(447)	(4,401)
<b>Cash and cash equivalents at end of year</b>		<b>696,251</b>	<b>579,563</b>

The accompanying notes form part of these Financial Statements

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2020**

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**1. General**

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

These financial statements are prepared in accordance with part 8 of the Central Bank of Samoa 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 Samoa Building, Apia. The postal address is CBS Private Bag, Samoa.

These financial statements were authorised for issue by the Governor and the Board of Directors on 27<sup>th</sup> October, 2020.

**2. Adoption of new and revised Standards**

**New standards adopted as at 1<sup>st</sup> January 2019**

*IFRS 16 'Leases'*

**The Bank as a Lessee**

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 Determining whether an Agreement contains a Lease, SIC 15 'Operating Leases-Incentives' and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

The adoption of this new Standard will result in the Bank recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the Bank has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Bank has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The bank has elected to account exemption for short term leases using practical expedients as the Bank has no formal lease agreement with the Government of Samoa for its office premises.

**The Bank as a Lessor**

The Bank's accounting policy under IFRS 16 has not changes from the comparative period.

As a lessor the Bank classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfer substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

**3. 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 Samoa ("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 Samoan Tala and all values are rounded to the nearest thousand (\$'000) except where otherwise indicated.

### 3. Statement of significant accounting policies (Continued)

#### a. Basis of preparation (Continued)

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.

#### 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.: Samoan Tala) at the exchange rate ruling at that date.

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

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

#### c. Cash and cash equivalents

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

#### d. Property, plant and equipment

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

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

• Land	Not Depreciated
• Buildings	10 years and 40 to 50 years
• Office equipment, furniture and fittings	5 to 10 years
• Motor vehicles	5 years
• Leasehold Improvement	25 to 30 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.

### 3. Statement of significant accounting policies (continued)

#### d. Property, plant and equipment (continued)

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 Bank. 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

##### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### Classification and measurement of financial assets

###### Classification and initial measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets of the Bank, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

###### Subsequent measurement of financial assets

###### Financial assets at amortised cost

Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'interest income' using the effective interest rate method. This category includes cash balances and staff loan receivables.

###### Financial assets at fair value through profit and loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. This category includes the UTOS convertible notes. Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

3. Statement of significant accounting policies (continued)

f. Financial instruments (continued)

Specific classification and measurement of financial assets

Local and foreign currency deposits

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

Australian dollar bank bills

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

Secured lending and credit line facilities

The Central Bank of Samoa provides advances to commercial banks and other financial or lending institutions through secured lending and credit line facilities. Secured lending and credit line facilities are classified as 'amortised cost' 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.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included investments and securities measured at amortised cost.

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach under the general model, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

The Bank utilizes an expected credit loss model following the Probability of Default approach and measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Staff loan receivables

The Bank has elected to use of a simplified approach in accounting for staff loan receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Bank uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Bank assesses impairment of staff loan receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

**3. Statement of significant accounting policies (continued)**

**f. Financial instruments (continued)**

**Classification and measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Bank's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Bank's financial liabilities include deposits held, balances due to third parties, borrowings, trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**Specific classification and measurement of financial liabilities**

**Sell repurchase agreements (Central Bank Securities)**

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

**Demand deposits**

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

**g. Foreign currency gains available for distribution**

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

**h. Currency**

***Currency in circulation***

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

***Demonetised currency***

In accordance with the provisions of the *Central Bank of Samoa Act 2015*, the Bank no longer has any liability for currency that has been demonetised and remains in circulation. Therefore, currency in circulation that has been demonetised 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 favor 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.

**3. Statement of significant accounting policies (continued)**

**h. Currency (continued)**

*Coins*

The policy for issuance of new coins has been changed, all new coins issued into circulation are treated as seignorage income effective July 2019. These new coins are no longer returned or accepted by CBS.

*Coins Seignorage Revenue*

The seignorage revenue from coins currently claimed by the Central Bank of Samoa (CBS) is the actual difference between the face value of the coins it had already issued and their associated production costs already expended. Since the coins issued are no longer returned or accepted by the CBS in line with policy change in July 2019, this multiple year seignorage revenue is now booked into its general reserves and not the profit and loss account.

**i. Reserve Tranche and balances with the International Monetary Fund (IMF)**

Reserve Tranche and balances with the International Monetary Fund (IMF) - The Reserve Tranche represents the difference between the assigned quota and the IMF currency holdings. The Reserve Tranche can be accessed at any time without fees or economic reform conditions. The remainder of the quota is held in Special Drawing Rights (SDR) which is a supplementary international reserve asset.

The SDR interest rate provides the basis for calculating the interest charged and the interest paid to members of the IMF for the use of their resources for regular (non-concessional) IMF loans. It is also the interest paid to members on their SDR holdings and charged on their SDR allocation. The SDR interest rate is determined weekly and is based on a weighted average of representative interest rates on short-term debt instruments in the money markets of the SDR basket currencies.

**j. Capital and reserves**

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

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

Unrealised gains and losses on foreign exchange, foreign securities and Samoan tala securities are recognised in profit. However, until such gains or losses are realized, they are not available for distribution to the Samoan 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.

**k. Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised in the statement of profit or loss at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.



### 3. Statement of significant accounting policies (continued)

#### l. 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.

#### m. Statutory reserve deposit

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

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

#### n. Employee benefits

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

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

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

#### o. 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.

#### p. Income tax

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

#### q. Comparatives

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

### 4. Critical accounting estimates and judgements

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

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

#### *Impairment of property, plant and equipment*

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

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

4. Critical accounting estimates and judgements (continued)

*Impairment of property, plant and equipment (continued)*

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.

5. Foreign currency cash balances and term deposit balances

	2020 \$'000	2019 \$'000
Cash balances	183,026	172,752
Fixed deposit balances	390,495	290,598
<b>Total foreign currency cash and term deposit balances</b>	<b>573,521</b>	<b>463,350</b>

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

The foreign currency term deposits range in maturing from 91 days to 365 days. The weighted average interest rate on the term deposits is 2.8% per annum.

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

	2020 \$'000		2019 \$'000	
	Cash balances	Term deposits	Cash balances	Term deposits
\$US dollar denominated deposits	162,682	101,002	144,424	56,959
\$NZ dollar denominated deposits	3,424	129,748	5,228	97,623
\$AU dollar denominated deposits	14,652	98,216	13,731	59,140
\$CNH dollar denominated deposits	6	61,529	5	76,876
\$GBP dollar denominated deposits	2,262	-	9,364	-
<b>Total</b>	<b>183,026</b>	<b>390,495</b>	<b>172,752</b>	<b>290,598</b>

6. Local currency cash balances and term deposit balances

	2020 \$'000	2019 \$'000
Petty cash	5	5
Cash at bank	16,748	5,725
Fixed deposit balances	34,104	32,664
<b>Total local currency cash balances and term deposit balances</b>	<b>50,857</b>	<b>38,394</b>

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

**Central Bank of Samoa**  
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**7. International Monetary Fund - Reserve Tranche and SDR Allocations**

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

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

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

IMF related assets and liabilities at 30<sup>th</sup> June 2020:

	2020 \$'000 SAT	2019 \$'000 SAT
<b>Reserve Tranche</b>		
<b>Foreign currency assets</b>		
Currency subscription - quota	59,707	59,247
Special drawing right holdings	12,166	18,572
<b>Total foreign currency assets</b>	<b>71,873</b>	<b>77,819</b>
<b>SDR Allocations</b>		
<b>Foreign currency liabilities</b>		
Special drawing right allocations	40,877	40,562
Currency holding	52,955	52,548
<b>Total foreign currency assets</b>	<b>93,832</b>	<b>93,110</b>
<b>8. Foreign currency accrued interest balances</b>		
	2020 \$'000	2019 \$'000
Balances with other Central Banks	266	260
Deposits with commercial banks	1,520	1,795
<b>Total foreign currency accrued interest</b>	<b>1,786</b>	<b>2,055</b>
<b>9. Currency inventory</b>		
	2020 \$'000	2019 \$'000
Currency notes	9,458	10,860
Coins	3,490	4,020
<b>Total currency inventory</b>	<b>12,948</b>	<b>14,880</b>
<b>10. Receivables and prepayments</b>		
	2020 \$'000	2019 \$'000
Prepayments	3,433	3,875
Other debtors	70	187
Interest receivable on staff loans	601	605
Staff loans principal balance	3,417	4,083
Less allowance for impairment on staff loans	(79)	(112)
Net staff loans	3,338	3,971
<b>Total receivables and prepayments</b>	<b>7,442</b>	<b>8,638</b>

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

10. Receivables and prepayments (continued)

	2020 \$'000	2019 \$'000
<i>Movement in allowance for impairment on staff loans</i>		
Opening balance at 1 July	112	120
Additional/(Reduction) allowance for impairment charged to income and expense	(33)	(8)
<b>Closing balance at 30 June</b>	<b>79</b>	<b>112</b>

11. Credit line facilities

	2020 \$'000	2019 \$'000
a) Tsunami (Credit line facility)	4,338	6,362
b) Cyclone Evan (Credit line facility)	30,570	33,865
c) Economic Stimulus (Credit line facility)	21,766	23,769
d) Additional Economic Stimulus (Credit line facility)	7,537	8,146
e) Second Additional Economic Stimulus (CLF)	12,744	13,635
f) First Small Medium Enterprises Finance (CLF)	9,684	9,956
<b>Total credit line facilities</b>	<b>86,639</b>	<b>95,733</b>

(a). Tsunami (CLF)

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

	2020 \$'000	2019 \$'000
Development Bank of Samoa	1,673	2,725
Samoa Housing Corporation	2,665	3,637
<b>Balance at year end</b>	<b>4,338</b>	<b>6,362</b>

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

Repayment terms:

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

(b). Cyclone Evan (CLF)

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

	2020 \$'000	2019 \$'000
Development Bank of Samoa	27,535	30,533
Samoa Housing Corporation	3,035	3,332
<b>Balance at year end</b>	<b>30,570</b>	<b>33,865</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

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
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**11. Credit line facilities (continued)**

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

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Development Bank of Samoa	21,766	23,769
	<b>21,766</b>	<b>23,769</b>
<b>Balance at year end</b>		
Credit Line Loan Amount		
Approved:	\$30 million	
Loan Duration:	15 Years	
Grace Period:	12 months	
Interest Rate:	2% per annum	
Loan Repayment:	Monthly repayments due after grace period	
Securities:	Government Guarantee	

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

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Development Bank of Samoa	7,537	8,146
	<b>7,537</b>	<b>8,146</b>
<b>Total additional credit line facility</b>		
Credit Line Loan Amount	\$10 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	

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

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Development Bank of Samoa	12,744	13,635
	<b>12,744</b>	<b>13,635</b>
<b>Total additional credit line facility</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	

Central Bank of Samoa  
Notes forming part of the financial statements  
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11. Credit line facilities (continued)

(f). First Small Medium Enterprises (CLF)

Additional Credit Line Facility issued to the Development Bank of Samoa for the Small Medium Enterprises within the agriculture manufacturing and other business sectors that will provide productive contribution towards Samoa's economic development.

	2020 \$'000	2019 \$'000
Development Bank of Samoa	9,684	9,956
<b>Balance at year end</b>	<b>9,684</b>	<b>9,956</b>

Credit Line Loan Amount	\$10.0 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

12. Property, plant and equipment

	Land & buildings \$'000	Motor vehicles \$'000	Plant & equipment \$'000	Equipment & furniture \$'000	Total \$'000
<b>Cost</b>					
Balance as at 30/06/18	34,756	492	5,280	1,874	42,402
Additions	694	-	179	59	932
Disposals	(228)	-	(37)	-	(265)
<b>Balance as at 30/06/19</b>	<b>35,222</b>	<b>492</b>	<b>5,422</b>	<b>1,933</b>	<b>43,069</b>
Additions	1,309	-	272	31	1,612
Disposals	-	-	(39)	-	(39)
<b>Balance as at 30/06/20</b>	<b>36,531</b>	<b>492</b>	<b>5,655</b>	<b>1,964</b>	<b>44,642</b>
<b>Accumulated Depreciation</b>					
Balance as at 30/06/18	(17,266)	(321)	(4,626)	(1,615)	(23,828)
Charge for the year	(724)	(97)	(217)	(100)	(1,138)
Disposals	-	-	35	-	35
<b>Balance as at 30/06/19</b>	<b>(17,990)</b>	<b>(418)</b>	<b>(4,808)</b>	<b>(1,715)</b>	<b>(24,931)</b>
Charge for the year	(733)	(42)	(220)	(59)	(1,054)
Disposals	-	-	39	-	39
<b>Balance as at 30/06/20</b>	<b>(18,723)</b>	<b>(460)</b>	<b>(4,989)</b>	<b>(1,774)</b>	<b>(25,946)</b>
<b>Written down value:</b>					
As at 30/06/19	17,232	74	614	218	18,138
As at 30/06/20	17,808	32	666	190	18,696

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2020**

**13. Deposits**

	2020 \$'000	2019 \$'000
<b>Foreign currency deposits</b>		
Government of Samoa foreign currency deposits	109,966	86,284
<b>Total foreign currency deposits</b>	<b>109,966</b>	<b>86,284</b>
<b>Local currency deposits</b>		
Demand deposits due to banks	254,789	227,718
Government of Samoa local currency deposits	50,469	32,786
The World Bank deposits	49	95
	<b>305,307</b>	<b>260,599</b>
<b>Statutory reserve deposits</b>		
Domestic banks	50,765	55,581
Insurance companies	840	940
	<b>51,605</b>	<b>56,521</b>
<b>Total local currency deposits</b>	<b>356,912</b>	<b>317,120</b>

The Central Bank acts as banker, agent and depository of the Government of Samoa. Governments funds are deposited at the Central Bank are remunerated at a prevailing market rate. Interest expense for the year was \$0.9m tala (2019: \$1.4m tala)

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

**14. International Monetary Fund - Facilities**

	2020 \$'000	2019 \$'000
(a). Exogenous Shock Facility	-	2,121
(b). Rapid Credit Facility No.1	12,826	16,970
(c). Rapid Credit Facility No.2	59,707	-
<b>Balance at year end</b>	<b>72,533</b>	<b>19,091</b>

**(a). Exogenous Shock Facility**

An agreement was signed with the International Monetary Fund (IMF) on December 2009 for funds to be lent to the Government of Samoa for the purpose of supporting Samoa's reserves and balance of payments. In 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 2020 the loan was fully repaid and last repayment made on 11<sup>th</sup> December 2019.

The loan principal is payable in 10 equal instalments 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 No. 1**

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

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

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2020**

**14. International Monetary Fund - Facilities (continued)**

**(b). Rapid Credit Facility No. 1**

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 have begun since 23 November 2018 until May 2023.

**(c). Rapid Credit Facility No. 2**

International Monetary Fund (IMF) offered this facility to its membership countries which includes Samoa. The RCF provides a rapid low access and concessable assistance to its members.

Samoa's request in 2020 are to provide support to our balance of payment position to cushion the potential and unknown duration of the adverse effects of the Coronavirus (Covid 19) Pandemic on Samoa's foreign exchange flows (namely export receipts, tourism earnings and remittances).

The IMF Board in its meeting on the 24 April 2020 considered Samoa request and approved the disbursement of USD\$22.0 million. CBS received the funds on 28 April 2020.

Terms & Conditions: Interest rate - Zero percent  
 Grace period - 5 ½ years  
 Maturity/Term - 10 years

The first 2020 RCF repayment by Samoa (by SDRs) will be on 28 October 2025 with the last 2020 repayment to be 26 April 2030.

**15. Currency in circulation**

	2020 \$'000	2019 \$'000
Currency in circulation	131,745	124,254
<b>Balance at year end</b>	<b>131,745</b>	<b>124,254</b>

**16. Central Bank securities**

	2020 \$'000	2019 \$'000
Central Bank Securities	-	19,993
<b>Balance at year end</b>	<b>-</b>	<b>19,993</b>

Central Bank securities issued to the public are primarily purchased by the local commercial banks. The securities are short term ranging in maturity from 14 days to 91 days. The weighted average interest rate of the securities is 0.22 % per annum. During the year under reviews there is a policy decision by the CBS Management to discontinue the issuance of CBS Securities to ensure there is enough liquidity in the Banking System.

**17. Provision for employee entitlements**

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

	2020 \$'000	2019 \$'000
Opening balance at 1 July	447	565
Additional provisions charged to income during the year	307	482
Entitlements utilised during the year	(258)	(600)
<b>Closing balance at 30 June</b>	<b>496</b>	<b>447</b>



**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
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**18. Distributable profits**

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

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

**19. Capital**

	2020 \$'000	2019 \$'000
<b>Authorised, issued and paid up capital</b>	<b>20,000</b>	<b>20,000</b>

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

***Management of the Bank’s Capital***

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

**20. General reserves**

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

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

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

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

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

	2020 \$'000	2019 \$'000
<b><i>Profit/(Loss) distribution</i></b>		
Unrealised losses transferred to unrealised profits reserve	(447)	(4,401)
Net profit/(loss) transferred to general reserves	4,258	813
<b>Net profit/(loss)</b>	<b>3,811</b>	<b>(3,588)</b>

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

21. Unrealised profits/(losses) reserve (continued)	2020	2019
	\$'000	\$'000
<i>Movement in Unrealised profit/(losses) reserve</i>		
Opening balance at 1 July	(15,185)	(10,784)
Unrealised losses for the year	(447)	(4,401)
<b>Closing balance at 30 June</b>	<b>(15,632)</b>	<b>(15,185)</b>

22. Interest income	2020	2019
	\$'000	\$'000
Interest on cash accounts	1,807	3,147
Interest on term deposits	8,390	7,877
<b>Total interest income</b>	<b>10,197</b>	<b>11,024</b>

23. Other income	2020	2019
	\$'000	\$'000
Interest on staff loans	154	150
Income from collectors and other income	3,669	626
<b>Total other income</b>	<b>3,823</b>	<b>776</b>

#### 24. Related party disclosures

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

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

##### (i) Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the governor, assistant governors, members of the management team and executive directors. At 30 June 2020, the number of key management personnel was 25 (2019: 23).

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

	2020	2019
	\$'000	\$'000
Salaries and short-term employment benefits	1,554	1,346
Other long-term benefits	163	120
<b>Total key management personnel remuneration</b>	<b>1,717</b>	<b>1,466</b>

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

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

	2020	2019
	\$'000	\$'000
Directors fees	63	82
Board expenses	23	13
<b>Total directors and board expenses</b>	<b>86</b>	<b>95</b>

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2020**

**24. Related party disclosures (continued)**

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

As at 30 June 2020, the following balances were receivable from or payable to related parties.

	2020 \$'000	2019 \$'000
Balances due to related parties	160,435	119,070
Balances due from related parties	1,284	1,611

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. Lease receivable**

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

	2020 \$'000	2019 \$'000
Not later than one year	1,200	1,300
Later than one year but not later than five years	2,600	2,600
<b>Total interest income</b>	<b>3,800</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\$1,198,585 (2019: SAT\$1,273,861).

Direct operating expenses in relation to building floors leased out amounted to SAT\$920,867 (2019: SAT\$946,701). These amounts do not include the Bank's own internal payments for the floor space that the Bank occupies for its own operations and activities.

**26. Financial risk management**

*Introduction and overview*

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

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

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

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

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

*(a) Liquidity risk*

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

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

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

26. Financial risk management (continued)

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2020

	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	183,026	-	-	-	-	183,026
Fixed deposits	17,682	372,813	-	-	-	390,495
International Monetary Fund	-	-	-	-	71,873	71,873
Accrued interest	52	1,734	-	-	-	1,786
	200,760	374,547	-	-	71,873	647,180
<b>Local Currency Assets</b>						
Cash balances	16,753	-	-	-	-	16,753
Fixed deposits	-	34,104	-	-	-	34,104
Accrued interest	-	14	-	-	-	14
Currency stock on hand	-	-	-	-	12,948	12,948
Receivables and prepayments	-	650	3,433	3,359	-	7442
Credit line facility	-	-	-	86,639	-	86,639
Property, plant and equipment	-	-	153	18,543	-	18,696
	16,753	34,768	3,586	108,541	12,948	176,596
<b>Total Assets</b>	<b>217,513</b>	<b>409,315</b>	<b>3,586</b>	<b>108,541</b>	<b>84,821</b>	<b>823,776</b>
<b>Foreign Currency Liabilities</b>						
Demand deposits	109,966	-	-	-	-	109,966
IMF Facilities	-	-	-	72,533	-	72,533
International Monetary Fund	-	-	-	-	93,832	93,832
Other liabilities	17	-	-	-	-	17
	109,983	-	-	72,533	93,832	276,348
<b>Local Currency Liabilities</b>						
Demand deposits	356,912	-	-	-	-	356,912
Currency in circulation	-	-	-	-	131,745	131,745
Central Bank Securities	-	-	-	-	-	-
Creditors and accruals	1,654	33,176	90	-	-	34,920
Provisions	-	-	-	496	-	496
	358,566	33,176	90	496	131,746	524,073
<b>Total Liabilities</b>	<b>468,549</b>	<b>33,176</b>	<b>90</b>	<b>73,029</b>	<b>225,577</b>	<b>800,421</b>
<b>Net Assets</b>	<b>(251,036)</b>	<b>376,139</b>	<b>3,496</b>	<b>35,512</b>	<b>(140,756)</b>	<b>23,355</b>

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

26. Financial risk management (continued)

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2019

	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	172,752	-	-	-	-	172,752
Fixed deposits	14,566	178,418	97,614	-	-	290,598
International Monetary Fund	-	-	-	-	77,819	77,819
Accrued interest	696	884	475	-	-	2,055
	188,014	179,302	98,089	-	77,819	543,224
<b>Local Currency Assets</b>						
Cash balances	5,725	-	-	-	-	5,725
Fixed deposits	-	32,669	-	-	-	32,669
Accrued interest	-	13	-	-	-	13
Currency stock on hand	-	-	-	-	14,880	14,880
Receivables and prepayments	-	767	3,875	3,996	-	8,638
Credit line facility	-	-	-	95,733	-	95,733
Property, plant and equipment	-	-	150	17,987	-	18,137
	5,725	33,449	4,025	117,716	14,880	175,795
<b>Total Assets</b>	<b>193,739</b>	<b>212,751</b>	<b>102,114</b>	<b>117,716</b>	<b>92,699</b>	<b>719,019</b>
<b>Foreign Currency Liabilities</b>						
Demand deposits	86,284	-	-	-	-	86,284
IMF Facilities	-	-	-	19,091	-	19,091
International Monetary Fund	-	-	-	-	93,110	93,110
Other liabilities	15	-	-	-	-	15
	86,299	-	-	19,091	93,110	198,500
<b>Local Currency Liabilities</b>						
Demand deposits	317,120	-	-	-	-	317,120
Currency in circulation	-	-	-	-	124,254	124,254
Central Bank Securities	19,993	-	-	-	-	19,993
Creditors and accruals	11,102	31,658	66	-	1	42,826
Provisions	-	-	-	447	-	447
	348,215	31,658	66	447	124,254	504,640
<b>Total Liabilities</b>	<b>434,514</b>	<b>31,658</b>	<b>66</b>	<b>19,538</b>	<b>217,364</b>	<b>703,140</b>
<b>Net Assets</b>	<b>(240,775)</b>	<b>181,093</b>	<b>102,048</b>	<b>98,178</b>	<b>(124,665)</b>	<b>15,879</b>

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

26. Financial risk management (continued)

(b) *Market risk*

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

(i) Foreign exchange risk

Exchange rate risk relates to the risk of loss of foreign reserves arising from changes in the exchange rates against the 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.

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	0.88	1.15	14.65	2.26	0.002	18.94
Cash balances with banks	-	2.02	0.26	-	0.004	2.28
Fixed deposits	101.27	130.59	98.52	-	61.91	392.29
Repurchase agreements	161.82	-	-	-	-	161.82
<b>Total</b>	<b>263.97</b>	<b>133.76</b>	<b>113.43</b>	<b>2.26</b>	<b>61.91</b>	<b>575.33</b>

*Concentration of foreign currency balances*

	USD	NZD	AUD	GBP	CNY	TOTAL
Cash balances with Central Banks	0.2%	0.2%	2.5%	0.4%	-	3.3%
Cash balances with Banks	-	0.4%	-	-	-	0.4%
Fixed deposits	17.6%	22.7%	17.1%	-	10.8%	68.2%
Repurchase agreements	28.1%	-	-	-	-	28.1%
<b>Total</b>	<b>45.9%</b>	<b>23.3%</b>	<b>19.6%</b>	<b>0.4%</b>	<b>10.8%</b>	<b>100.0%</b>

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

	30 June 2020	30 June 2019
USD	0.37326	0.38013
NZD	0.58190	0.56749
AUD	0.54438	0.54289
GBP	0.30387	0.30008
EURO	0.33326	0.33439
SDR	0.27130	0.27340
CNY	2.64307	2.61421
CNH	2.64250	2.61246

*Sensitivity to foreign exchange risk*

Sensitivity to foreign exchange risk is the sensitivity of the face value of the Central Bank of Samoa'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 Samoa's distribution of trade and travel transactions with our major trading partners: New Zealand, United States, Australia and the Euro-area.

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

26. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

*Sensitivity analysis*

A 10% weakening of the Samoan tala against the above currencies at 30 June 2020 would have increased net income by the amounts shown below:

	Income effect 2020 \$'000	Income effect 2019 \$'000	General reserves effect 2020 \$'000	General reserves effect 2019 \$'000
USD	26,263	20,210	10,100	14,442
NZD	13,585	10,209	12,974	10,250
AUD	11,321	6,114	9,822	7,322
GBP	254	208	-	938
EURO	(1)	5	-	-
CNH	7,090	7,764	6,153	7,688
SDR	6,252	7,372	7,187	7,782
<b>TOTAL</b>	<b>64,764</b>	<b>51,882</b>	<b>46,236</b>	<b>48,422</b>

A 10% strengthening of the Samoan tala against the above currencies at 30 June 2020 would have an equal but opposite effect i.e.: decreased net income.

(ii) Interest rate risk

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

Interest rate risk as at 30 June 2020:

	Balance Sheet Total \$M	Repricing period \$M		
		0-3 months	3-6 months	6-12 months
Foreign Exchange				
Cash balances with Central Banks	18.9	18.9	-	-
Cash balances with Banks	2.3	2.3	-	-
Fixed deposits	392.3	17.7	111.4	263.2
Repurchase agreements	161.8	161.8	-	-
<b>TOTAL</b>	<b>575.3</b>	<b>200.7</b>	<b>111.4</b>	<b>263.2</b>

(b) 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 Bank's exposure to credit risk includes staff loans. Staff loans are no longer allowed under Government Cabinet directive for all state-owned enterprises. The current staff loan balances will continue to be reduced from direct repayments from salaries of existing staff. On leaving employment with the Bank ex-staff who have loans are required to pay the full amount of the outstanding balance at the time of leaving. The inability to repay the amount in full at the time of termination results in a loss that is fully provided for. Because all loan repayments are deducted from employee wages the ageing analysis for staff loans are always current. The Bank has used the simplified model for calculating lifetime expected credit losses and has applied the probability of default (PD) to those balances that are current as follows:

	PD	Gross carrying amount	Loss allowance	Credit impaired
30 June 2020				
Current (not overdue)	2.5%	2,984	57	-
Staff loans assessed individually		433	22	-
		<b>3,417</b>	<b>79</b>	<b>-</b>

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

26. Financial risk management (continued)

(b) Credit risk (continued)

Balances which are not current are assessed individually for impairment. The movement in the loss allowance for staff loan receivables is disclosed in Note 6.

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.

Credit Ratings (Standard and Poor)

Foreign Investments	Risk rating of security issuer	Risk rating of counterparties	% of total assets as at 30 June 2020
Securities held under repurchase agreements with Central Banks	AA+		28.13
Deposits with Central Banks	AAA		2.54
Cash with other Central Banks			3.29
<b>Subtotal balances with Central Banks</b>			<b>33.96</b>
Negotiable Certificate of Deposit			8.74
ME		A-	0.96
P & N		A-	4.93
QUDOS		A-	2.85
<b>Deposits with commercial bank</b>			<b>56.93</b>
ANZ		AA-	1.74
BNZ		AA-	0.00
BOC		A	23.56
DBS		AA-	9.81
ICBC		A	18.74
RABO		A	1.6
WBC		AA-	1.48
<b>Other (CASH)</b>			<b>0.38</b>
ANZ		AA-	0.07
BNZ		AA-	0.08
BOC		A	0.12
WBC		AA-	0.08
ICBC		A	0.03
<b>Subtotal balances with commercial Banks</b>			<b>66.04</b>
<b>TOTAL</b>			<b>100.0</b>

(c) 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 expenditures

The Directors are aware of the Bank's commitment at 30<sup>th</sup> June 2020 as follows:

### *Alternative site for disaster recovery purposes at the CBS Ululoloa compound.*

The project was estimated to cost \$28 million tala. The cost already incurred on this as at 30 June 2020 is \$2.1m (2019: \$1.4m) is classified as Work in Progress.

However, due to climate change and the shifting of the different levels with the current CBS Building and its critical structural weaknesses, which is based on an engineer's assessment the Board decided to re-adjust the entire design at Ululoloa Property in order to address these issues. This is to ensure that the current staff at Apia Main CBS building can be relocated to Ululoloa for its operations. Given these unforeseen circumstances, the entire project and the procurement processes will be re-adjusted. In the meantime, discussions and potential negotiations are taking place in order to finalize the figures and processes for the way forward.

## 29. Contingent liabilities

### *(i) Lease on property not finalised*

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

### *(ii) Collectors' currency*

The Bank has a contingent liability for the face value of collectors' currency issued. However, it is more unlikely that the amounts of collectors' currency will be returned for redemption at face value. The face value of all collectors' currency issued by the Bank for the period under review is SAT\$2,877,681. (2019: SAT\$472,626).

**30. Events subsequent to balance date**

There has not arisen in the interval between the end of the period and transaction or event of material and unusual nature likely, in the opinion to affect significantly the operation of the Bank.

In March 2020, the Head of State declared a State of Emergency in response to Covid 19 that is wide spreading and is financially impacting significantly many countries around the world. Although the Central Bank will experience the effect of Covid 19 pandemic in the next financial year, therefore the Central Bank Board of Directors at its meeting on 18<sup>th</sup> September 2020, approved the continuation of its expansionary monetary policy stance which means to keep the cost of capital low and/or encourage Commercial Bank to continue lending to the private sector at low interest rate.

**31. Approval of financial statement**

The Financial Statements were approved by the Board on the date that they were signed by the Board of Directors.

## INDEPENDENT AUDITOR'S REPORT

### To the Controller and Auditor General

### Report on the Audit of the Financial Statements

#### Opinion

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

- the statement of financial position as at June 30, 2020;
- the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 30 June 2020; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of Samoa (the Bank), as at June 30, 2020, and (of) its financial performance and its cash flows for the year ended 30 June 2020 in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

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

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

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

#### Other Information

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank'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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## Report on Other Legal and Regulatory Requirements

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

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

We also confirm that:

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

*BDO*

**BDO**  
**CHARTERED ACCOUNTANTS**

*Ernest Betham*

**Ernest Betham**  
**Engagement Partner**

Samoa  
27 October 2020