

Financial Statements

Central Bank of Samoa
For the year ended 30 June 2023

Central Bank of Samoa
Financial Statements
For the year ended 30 June 2023

Contents

Management's Statement	3
Directors' Statement	4
Audit Office Audit Opinion	5-6
Statement of Financial Performance	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement Of Cash Flows	10
Notes To Accounts	11-36
Independent Audit Report	37-38

Central Bank of Samoa
Management's Statement
For the year ended 30 June 2023

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.

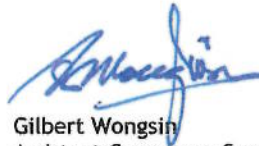
The board of directors oversee management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the board of directors on recommendation from management.

Our independent auditors, Sua ma Pauga, 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

Dated: 31 October 2023



Gilbert Wongsin
Assistant Governor - Corporate Services Group

Dated: 31 October 2023



Peniamina Tauati
Manager Accounts & Budget

Dated: 31 October 2023

**Central Bank of Samoa
Directors' Statement
For the year ended 30 June 2023**

The directors present their report together with the financial statements of the Central Bank of Samoa ("the bank") for the year ended 30 June 2023 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 2023.
- (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 2023.

Operating

The result for the year is a net profit of \$3.6 million tala (2022 net loss of \$8.7 million tala).

Reserves

The Directors recommend that a net profit of \$3.6 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 \$5.7 million be paid to the Government of Samoa.

Dated at Apia: 31 October, 2023

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



DIRECTOR



DIRECTOR



AUDIT OFFICE

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 (the Bank) which comprise of the Statement of Financial Position as at 30 June 2023, the statements of financial performance, cash flows and changes in capital and reserves for the year ended 30 June 2023, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Su'a ma Pauga and Associates, Chartered Accountants assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Tagaloa Fa'afouina Sua.

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 2023, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) except for key audit matter.

Basis for Opinion

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

Responsibilities of Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, directors are 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 directors and 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.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. and for the purpose of this report.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when 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.



AUDIT OFFICE

Please address all correspondences
to the Controller and Auditor General

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 (and amendments).

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 27th October 2023 and our opinion is expressed as at that date.

Apia, Samoa
31 October 2023

Vaofusi Terence Su'a
ASSISTANT CONTROLLER AND AUDITOR GENERAL

Central Bank of Samoa
Statement of Financial Performance
For the year ended 30 June 2023

	Note	2023 \$('000)	2022 \$('000)
Income			
Interest income on cash and investments	22	30,911	6,134
Interest income on lending		487	748
Rental income		1,005	1,011
Other income	23	1,463	979
Total Income		33,866	8,872
Expenses			
Administrative expenses		5,226	984
Board expenses	24 (ii)	8	12
Communication costs		513	485
Currency issue costs		2,491	1,710
Depreciation	11	1,026	1,095
Directors' fees	24 (ii)	63	64
External audit costs		44	44
Finance costs		5,915	898
Occupancy costs		545	483
Staff costs		6,362	6,092
Withholding tax on interest income		165	42
Total Expenses		22,358	11,909
Profit/(Loss) before foreign currency translation		11,508	(3,038)
Foreign exchange (losses)	20	(7,889)	(5,721)
Net profit/(loss)/for the year		3,619	(8,758)

The accompanying notes form part of these financial statement.

Central Bank of Samoa
Statement of Financial Position
For the year ended 30 June 2023

	Note	2023 \$('000)	2022 \$('000)
ASSETS			
Foreign currency assets			
Cash and fixed deposit balances	4	1,023,585	744,477
International monetary fund	6	114,578	117,708
Accrued interest	7	12,465	2,318
Total foreign currency assets		1,150,628	864,503
Local currency assets			
Cash and fixed deposit balances	5	77,689	48,501
Accrued interest		8	10
Currency inventory	8	8,612	7,881
Receivables and prepayments	9	8,763	6,882
Credit line facilities	10	70,533	79,658
Property, plant and equipment	11	38,954	17,959
Total local currency assets		204,559	160,891
Total assets		1,355,187	1,025,394
LIABILITIES			
Foreign currency liabilities			
Deposits	12	159,176	188,557
IMF facilities	13	59,274	62,501
International monetary fund	6	149,965	147,563
Other liabilities		94	15
Total foreign currency liabilities		368,509	398,636
Local currency liabilities			
Deposits	12	654,024	416,300
Currency in circulation	15	194,963	156,784
Central Bank Securities	14	49,972	-
Payables and accruals		55,400	41,034
Provision for employee entitlements	16	716	399
Total local currency liabilities		955,075	614,518
Total liabilities		1,323,584	1,013,154
Net assets		31,603	12,240
EQUITY			
Capital	18	20,000	20,000
General reserve	19	13,681	7,927
Unrealised foreign exchange revaluation reserve	20	(23,576)	(15,687)
Revaluation surplus	21	21,498	-
Total equity		31,603	12,240

The accompanying notes form part of these Financial Statements

Signed on behalf of the Board:

Governor

Date 31 October 2023

Director

Date 31 October 2023

Central Bank of Samoa
Statement of Changes in Equity
For the year ended 30 June 2023

	Note	Paid up capital	Unrealised (loss)/profit reserve	General Reserve	Revaluation surplus	Total
		\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)
Balance at 30 June 2021		20,000	(9,966)	10,964	0	20,998
Net (loss) for the year			(5,721)	(3,038)	0	(8,758)
Balance at 30 June 2022		20,000	(15,687)	7,927	0	12,240
Net (loss)/profit for the year	20		(7,889)	5,754	0	(2,135)
Revaluation surplus	21				21,498	21,498
Balance at 30 June 2023		20,000	(23,576)	13,681	21,498	31,603

The accompanying notes form part of these Financial Statements

Central Bank of Samoa
Statement of cash flows
For the year ended 30 June 2023

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.

	2023 \$('000)	2022 \$('000)
Cash flows from operating activities		
Cash received from investments	30,911	6,134
Cash received from rent	1,055	1,011
Other income	1,469	979
Cash paid for services and goods	(11,562)	(4,484)
Cash paid to employees	(4,290)	(4,566)
Interest paid on deposits	(5,915)	(898)
Net cash applied from/(to) operating activities	11,668	(1,824)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	40	59
Credit line facility repayments received during the year	6,126	5,488
Interest received on credit line facility	487	748
Purchase of property, plant and equipment	596	563
Net movement in term deposits more than 90 days	(30,124)	683
Net cash (to)/from investing activities	(22,875)	7,541
Cash flows from financing activities		
Net movement in notes and coins in circulation	38,179	14,215
Net movement in demand deposits	266,966	(21,358)
Net movement in securities	49,972	
Currency issue costs	(731)	(3,897)
Net movement in external liabilities	(30,124)	93,835
Net cash applied from financing activities	324,262	82,795
Net increase in cash and cash equivalents	313,055	88,512
Cash and cash equivalents at the beginning of the year	910,685	827,894
Net unrealised (Losses)/gains on translation of foreign currency monetary assets and liabilities	(7,889)	(5,721)
Cash and cash equivalents at end of year	1,215,851	910,685

The accompanying notes form part of these Financial Statements

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 31 October, 2023.

2. Statement of significant accounting policies

New standards adopted as at 1st January 2019

IFRS 16 'Leases' – The Standard was amended in March 2021 with Provisions relating COVID-19 Related Rent Concessions beyond June 2021.

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 (lessee) and also no lease agreement (lessor) as of yet for tenants. However, the standard has amended in relation to the broad application of practical expedients and its risks to concessions rent subject to below.

Modification in March 2021 - the practical expedients applies only to rent concession occurring as a direct consequence of covid-19 pandemic and only if all of the following conditions met:

- (i) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change
- (ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments that extend beyond 30 June 2022)

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.

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.

2. Statement of significant accounting policies (continued)

(a) Foreign currency transactions(continued)

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 15 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.

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.

Land and buildings are initially recorded at cost. Freehold land is subsequently stated at fair value. Buildings are subsequently stated at fair value less accumulated depreciation and accumulated impairment losses. Their fair values are determined by an independent professional valuer whenever their carrying amounts are likely to differ materially from their fair values. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, the net amount is then restated to the revalued amount of the asset. Revaluation surpluses are taken to the asset revaluation reserve, unless they offset previous revaluation losses of the same asset that were taken to the income statement. Revaluation losses are taken to the asset revaluation reserve, to the extent that they offset previous revaluation surpluses of the same asset that were taken to the asset revaluation reserve. Other revaluation surpluses or losses are taken to the income statement.

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.

2. Statement of significant accounting policies (continued)

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.

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.

2. Statement of significant accounting policies(continued)

f. Financial instruments

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.

Credit Line Facilities

The Central Bank of Samoa is cautiously and diligently assessing the appropriate treatment and fair value of a provision to cater for the potential losses from its credit line facilities to the Public Financial Institutions (PFIs).

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.

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).

2. Statement of significant accounting policies (continued)

Classification and measurement of financial liabilities(continued)

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 2014 the value of collectors' currency is reflected as a contingent liability.

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.

2. Statement of significant accounting policies (continued)

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.

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.

2. Statement of significant accounting policies (continued)

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.

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.

3. Critical accounting estimates and judgements

Impairment of property, plant and equipment

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

Recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e.: cash generating units).

Impairment of financial assets

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

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

4. Foreign currency cash balances and term deposit balances

	2023 \$'000	2022 \$'000
Cash balances	319,333	150,310
Fixed deposit balances	704,252	594,167
Total foreign currency cash and term deposit balances	1,023,585	744,477

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 0.9% per annum.

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

	2023 \$'000		2022 \$'000	
	Cash balances	Term deposits	Cash balances	Term deposits
\$US dollar denominated deposits	306,745	198,385	142,136	133,425
\$NZ dollar denominated deposits	6,114	217,544	5,044	197,045
\$AU dollar denominated deposits	5,248	240,121	2,387	180,805
\$CNH dollar denominated deposits	7	34,324	6	82,892
\$EURO dollar denominated deposits	254	-	-	-
\$GBP dollar denominated deposits	965	13,878	814	-
Total	319,333	704,252	150,310	594,167

5. Local currency cash balances and term deposit balances

	2023 \$'000	2022 \$'000
Petty cash	5	5
Cash at bank	23,065	7,628
Fixed deposit balances	54,619	40,868
Total local currency cash balances and term deposit balances	77,689	48,501

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.

6. 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.

6. International Monetary Fund - Reserve Tranche and SDR Allocations (continued)

IMF related assets and liabilities at 30th June 2023:

	2023 \$'000 SAT	2022 \$'000 SAT
Reserve Tranche		
Foreign currency assets		
Currency subscription - quota	59,274	58,325
Special drawing right holdings	55,304	59,383
Total foreign currency assets	114,578	117,708
SDR Allocations		
Foreign currency liabilities		
Special drawing right allocations	97,393	95,833
Currency holding	52,572	51,730
Total foreign currency assets	149,965	147,563

7. Foreign currency accrued interest balances

	2023 \$'000	2022 \$'000
Balances with other Central Banks	3,264	157
Deposits with commercial banks	9,201	2,161
Total foreign currency accrued interest	12,465	2,318

8. Currency inventory

	2023 \$'000	2022 \$'000
Currency notes	5,403	3,932
Coins	3,209	3,949
Total currency inventory	8,612	7,881

9. Receivables and prepayments

	2023 \$'000	2022 \$'000
Prepayments	2,104	3,205
Other debtors	422	365
Interest receivable on staff loans	613	513
Staff loans principal balance	5,718	2,913
Less allowance for impairment on staff loans	(94)	(114)
Net staff loans	5,624	2,799
Total receivables and prepayments	8,763	6,882

	2023 \$'000	2022 \$'000
<i>Movement in allowance for impairment on staff loans</i>		
Opening balance at 1 July	114	72
Additional/(Reduction) allowance for impairment charged to income and expense	(20)	42
Closing balance at 30 June 2023	94	114

10. Credit line facilities

	2023	2022
	\$'000	\$'000
a) Tsunami (Credit line facility)	-	444
b) Cyclone Evan (Credit line facility)	27,228	29,335
c) Economic Stimulus (Credit line facility)	19,983	21,387
d) Additional Economic Stimulus (Credit line facility)	6,166	6,862
e) Second Additional Economic Stimulus (CLF)	11,751	12,576
f) First Small Medium Enterprises Finance (CLF)	8,405	9,054
Total credit line facilities	73,533	79,658
Less Expected Credit loss doubtful debt	(3,000)	-
	70,533	79,658

	2023	2022
	\$'000	\$'000
<i>Movement in allowance for impairment on CLF Loans</i>		
Opening balance at 1 July	-	-
Additional/(Reduction) allowance for impairment charged to income and expense	3,000	-
Closing balance at 30 June 2023	3,000	-

Expected Credit Losses-ECL

The expected credit losses is a forward looking approach in determining the losses in an entity's financial assets.

For a financial asset, the expected credit loss (ECL) is the difference between the contractual cash flows that are due to an entity and the cash flows that an entity expects to receive.

The calculation of ECLs applies to financial assets that are measured under amortised cost or at fair value through other comprehensive income. These assets may be in the form of loans, debt securities or trade receivables.

Financial assets vary from entity to entity depending on the nature of the business and the products they provide. Some entities offer loan products that are long-term in nature, and some may be secured on collateral. This is common for banks and consumer lending companies. The ECL was reported as a Key Audit Matter in the Audit Opinion of Central Bank of Samoa in 2022 given the complexity and professional judgement required. Upon getting supportable data that there are clearly risks and impairment for some financial assets, we are now in a position to determine ECL based on current data and issues with financial assets concerned.

10. Credit line facilities (continued)

(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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	-	0
Samoa Housing Corporation	-	444
Balance at year end	-	444

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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	25,195	26,965
Samoa Housing Corporation	2,033	2,370
Balance at year end	27,228	29,335

	<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

(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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	19,983	21,387
Balance at year end	19,983	21,387

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

10. Credit line facilities (continued)

(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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	6,166	6,862
Total additional credit line facility	6,166	6,862

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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	11,751	12,576
Total additional credit line facility	11,751	12,576

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

(f). First Small Medium Enterprises (CLF)

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.

	2023 \$'000	2022 \$'000
Development Bank of Samoa	8,405	9,054
Balance at year end	8,405	9,054

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

11. Property, plant and equipment

	Land & buildings	Motor vehicles	Plant & equipment	Equipment & furniture	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
Balance as at 30/06/21	37,174	527	5,725	1,977	45,403
Additions	141	125	270	27	563
Disposals	-	(115)	(125)	(19)	(259)
Balance as at 30/06/22	37,315	537	5,870	1,985	45,707
Additions	21,834	118	103	1,153	23,208
Disposals	(21,533)	(81)	(1,306)	(528)	(23,448)
Balance as at 30/06/23	37,616	574	4,667	2,610	45,467
Accumulated Depreciation					
Balance as at 30/06/21	(19,473)	(413)	(5,213)	(1,808)	(27,748)
Charge for the year	(749)	(41)	(256)	(49)	(1,095)
Disposals	-	114	122	15	254
Balance as at 30/06/22	(20,222)	(340)	(5,347)	(1,839)	(27,748)
Charge for the year	(749)	(57)	(164)	(56)	(1,026)
Disposals	20,417	83	1,233	528	22,261
Balance as at 30/06/23	(554)	(314)	(4,278)	(1,367)	(6,513)
Written down value:					
As at 30/06/22	17,093	197	523	146	17,959
As at 30/06/23	37,062	260	389	1,243	38,954

12. Deposits

	2023	2022
	\$'000	\$'000
Foreign currency deposits		
Government of Samoa foreign currency deposits	159,176	188,557
Total foreign currency deposits	159,176	188,557
Local currency deposits		
Demand deposits due to banks	493,128	313,339
Government of Samoa local currency deposits	92,485	41,844
The World Bank deposits	39	39
	585,652	355,222
Statutory reserve deposits		
Domestic banks	67,431	60,138
Insurance companies	940	940
	68,371	61,078
Total local currency deposits	654,024	416,300

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 \$5.8m tala (2022: \$0.8m tala)

13. International Monetary Fund - Facilities

	2023 \$'000	2022 \$'000
(a). Rapid Credit Facility No.1	-	4,176
(b). Rapid Credit Facility No.2	59,274	58,325
Balance at year end	59,274	62,501

(a). 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.

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.

(b). Rapid Credit Facility No.2

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.

14. Central Bank Securities

	2023 \$'000	2022 \$'000
Central Bank Securities	49,972	-
Balance at year end	49,972	-

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

15. Currency in circulation

	2023 \$'000	2022 \$'000
Currency in circulation	194,963	156,784
Balance at year end	194,963	156,784

16. Provision for employee entitlements

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

	2023 \$'000	2022 \$'000
Opening balance at 1 July	399	410
Additional provisions charged to income during the year	766	177
Entitlements utilised during the year	(449)	(188)
Closing balance at 30 June 2023	716	399

17. Distributable profits

Section 36 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.

18. Capital

	2023 \$'000	2022 \$'000
Authorised, issued and paid up capital	20,000	20,000

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

19. 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)

20. 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:

	2023 \$'000	2022 \$'000
<i>Profit/(Loss) distribution</i>		
Unrealised gain/(losses) transferred to unrealised losses/ profits reserve	(7,889)	(5,721)
Net profit transferred to general reserves	5,754	(3,038)
Net profit to be paid to Government of Samoa	5,754	
Net profit/(loss)	11,508	(8,758)
<i>Movement in Unrealised profit/(losses) reserve</i>		
Opening balance at 1 July	(15,687)	(9,966)
Unrealised gains/(losses) for the year	(7,889)	(5,721)
Closing balance at 30 June 2023	(23,576)	(15,687)

21. Revaluation surplus	2023	2022
	\$'000	\$'000
Property, Plant & Equipment		
Office Building (Total valuation)	26,916	-
Less Accumulated depreciation	(297)	-
Total Office Building at 30 June 2023	26,619	-

Movement:

(a) <u>Office Building</u>	\$'000	\$'000
Opening net book value at 1/7/2022	9,529	-
Addition/Revaluation surplus	17,803	-
Less Accumulated depreciation	(713)	-
Closing net book value at 30/6/23	26,619	-

(b) <u>Land</u>	2023	2022
	\$'000	\$'000
Opening net book value at 1/7/2022	3,865	-
Addition/Revaluation surplus	3,695	-
Closing net book value at 30/6/23 (Total Valuation)	7,560	-

Total Revaluation surplus at 30/6/2023:

Office Building	17,803
Land	3,695
Total	21,498

The revaluation of the Office building and Land was conducted by Elon Betham & Company Limited on February 2, 2023.

In determining value for the high rise building the valuer adopted:

- (i) The replacement cost approach less depreciation and including obsolescence where the latter is an added estimate on a percentage basis
- (ii) The capitalization method or the rental approach having regard to the producing nature of the property.

In determining the value for the six (6) acres property at Ululoloa, the valuer adopted a direct sales comparison approach plus the hypothetical sub divisional approach.

A valuation is carried out when the Board considers necessary in order to reflect the fair market value of its fixed assets

22. Interest income

	2023	2022
	\$'000	\$'000
Interest on cash accounts	24	18
Interest on term deposits	30,887	6,116
Total interest income	30,911	6,134

23. Other Income

	2023	2022
	\$'000	\$'000
Interest on staff loans	129	92
Income from collectors and other income	1,334	887
Total other income	1,463	979

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 2022, the number of key management personnel was 25 (2022: 25).

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

	2023 \$'000	2022 \$'000
Salaries and short-term employment benefits	1,428	1,540
Other long-term benefits	110	145
Total key management personnel remuneration	1,538	1,685

(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.

	2023 \$'000	2022 \$'000
Directors' fees	63	64
Board expenses	8	12
Total directors and board expenses	71	76

(iii) Due from and due to related parties

As at 30 June 2023, the following balances were receivable from or payable to related parties.

	2023 \$'000	2022 \$'000
Balances due to related parties	253,161	230,402
Balances due from related parties	854	812

(iv) Directors' fees and board expenses

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:

	2023	2022
	\$'000	\$'000
Not later than one year	1,200	1,200
Later than one year but not later than five years	2,600	2,600
Total interest income	3,800	3,800

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\$1,005,316 (2022: SAT\$1,011,302).

Direct operating expenses in relation to building floors leased out amounted to SAT\$854,215 (2022: SAT\$812,033). 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 potential 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

27. Financial risk management

(a) Liquidity risk

Maturity analysis as at 30 June 2023

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
Foreign Currency Assets						
Cash balances	319,333	-	-	-	-	319,333
Fixed deposits	7,569	671,877	24,806	-	-	704,252
International Monetary Fund	-	-	-	-	114,578	114,578
Accrued interest	3	12,461	1	-	-	12,465
	326,905	684,338	24,807	-	114,578	1,150,628
Local Currency Assets						
Cash balances	23,070	-	-	-	-	23,070
Fixed deposits	-	54,619	-	-	-	54,619
Accrued interest	-	8	-	-	-	8
Currency stock on hand	-	-	-	-	8,612	8,612
Receivables and prepayments	-	1,036	1,078	6,649	-	8,763
Credit line facility	-	-	-	70,533	-	70,533
Property, plant and equipment	-	-	-	38,954	-	38,954
	23,070	55,663	1,078	116,136	8,612	204,559
Total Assets	349,975	740,001	25,885	116,136	123,190	1,355,187
Foreign Currency Liabilities						
Demand deposits	159,176	-	-	-	-	159,176
IMF Facilities	-	-	-	59,274	-	59,274
International Monetary Fund	-	-	-	-	149,965	149,965
Other liabilities	94	-	-	-	-	94
	159,270	-	-	59,274	149,965	368,509
Local Currency Liabilities						
Demand deposits	654,024	-	-	-	-	654,024
Currency in circulation	-	-	-	-	194,963	194,963
Central Bank Securities	-	49,972	-	-	-	49,972
Creditors and accruals	2,562	52,739	99	-	-	55,400
Provisions	-	-	-	716	-	716
	656,585	102,711	99	716	194,963	955,075
Total Liabilities	815,855	102,711	99	59,990	344,928	1,323,584
Net Assets	(465,881)	637,290	25,786	56,146	(221,738)	31,603

27. Financial risk management (continued)

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2022

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
Foreign Currency Assets						
Cash balances	150,310	-	-	-	-	150,310
Fixed deposits	276,945	288,373	28,850	-	-	594,168
International Monetary Fund	-	-	-	-	117,708	117,708
Accrued interest	1,102	1,200	15	-	-	2,317
	428,357	289,573	28,865	-	117,708	864,503
Local Currency Assets						
Cash balances	7,633	-	-	-	-	7,633
Fixed deposits	-	40,868	-	-	-	40,868
Accrued interest	-	10	-	-	-	10
Currency stock on hand	-	-	-	-	7,881	7,881
Receivables and prepayments	-	878	3,205	2,799	-	6,882
Credit line facility	-	-	-	79,658	-	79,658
Property, plant and equipment	-	-	118	17,841	-	17,959
	7,633	41,756	3,323	100,298	7,881	160,891
Total Assets	435,990	331,329	32,188	100,298	125,589	1,025,394
Foreign Currency Liabilities						
Demand deposits	188,557	-	-	-	-	188,557
IMF Facilities	-	-	-	62,501	-	62,501
International Monetary Fund	-	-	-	-	147,563	147,563
Other liabilities	15	-	-	-	-	15
	188,572	-	-	62,501	147,563	398,636
Local Currency Liabilities						
Demand deposits	416,300	-	-	-	-	416,300
Currency in circulation	-	-	-	-	156,784	156,784
Central Bank Securities	-	-	-	-	-	-
Creditors and accruals	1,105	39,833	97	-	-	41,035
Provisions	-	-	-	399	-	399
	417,405	39,833	97	399	156,784	614,518
Total Liabilities	605,977	39,833	97	62,900	304,347	1,013,154
Net Assets	(169,987)	291,496	32,091	37,398	(178,758)	12,240

27. Financial risk management (continued)

(b) Market risk

Market risk is the risk of potential losses on financial investments from 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 investment.

(i) Foreign exchange risk

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	EUR	TOTAL
Cash balances with Central Banks	0.85	4.38	4.97	0.97	0.002	0.254	11.42
Cash balances with banks	-	1.73	0.28	-	0.006	-	2.02
Fixed deposits	176.8	222.25	203.35	14.44	34.61	-	651.21
Negotiable Certificate Deposit	-	-	40.71	-	-	-	40.71
Bond	24.8	-	0	-	-	-	24.8
Repurchase agreements	305.9	-	-	-	-	-	305.9
Total	508	228.37	249.31	15.11	34.62	0.25	1036.05

Concentration of foreign currency balances

	USD	NZD	AUD	GBP	CNY	EUR	TOTAL
Cash balances with Central Banks	0.10%	0.40%	0.50%	0.10%	0.00%	0.00%	0.90%
Cash balances with Banks	0.00%	0.20%	0.00%	0.00%	0.00%	0.00%	0.30%
Fixed deposits	17.10%	21.50%	19.60%	1.40%	3.30%	-	61.10%
Negotiable Certificate Deposit	0.00%	0.00%	3.90%	0.00%	0.00%	0.00%	14.90%
Bond	2.40%	0.00%	0.60%	0.00%	0.00%	0.00%	3.90%
Repurchase agreements	29.50%	0.00%	0.00%	0.00%	0.00%	0.00%	18.90%
Total	49.10%	22.00%	24.10%	1.50%	3.30%	0.00%	100.00%

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

	30 June 2023	30 June 2022
USD	0.36352	0.39029
NZD	0.59942	0.55847
AUD	0.54916	0.51972
GBP	0.28822	0.28191
EUR	0.33450	0.27360
CNY	2.63459	2.52271
CNH	2.64242	2.52355

27. Financial risk management(continued)

(b) Market risk (continued)

Sensitivity to foreign exchange risk

Sensitivity to foreign exchange risk is the sensitivity of the face value in Samoan Tala of the Central Bank of Samoa's financial assets to fluctuations in the exchange rate.

The Tala is weighted against a basket of currencies and thus the sensitivity to foreign exchange risk is generally expected to be minimal as the movements of these currencies in the basket tend to offset each other. However, the extreme volatile nature of the global foreign exchange market may also raise the sensitivity to the risk.

The weight allocated to each currency in the basket is determined based on Samoa's distribution of trade and travel transactions with our major trading partners: New Zealand, United States, Australia and the Euro-area.

Sensitivity analysis

A 10% weakening of the Samoan tala against the above currencies at 30 June 2023 would have increased net income by the amounts shown below:

	Income effect 2023 \$'000	Income effect 2022 \$'000	General reserves effect 2023 \$'000	General reserves effect 2022 \$'000
USD	50,145	26,925	19,839	13,343
NZD	23,198	21,317	21,754	19,704
AUD	24,579	18,886	1,388	18,080
GBP	1,596	92	-	-
EURO	(27)	(1)	-	-
CNH	11,121	11,634	3,432	8,289
SDR	2,850	8,167	-	-
TOTAL	113,516	87,020	46,413	59,416

A 10% strengthening of the Samoan tala against the above currencies at 30 June 2023 would have an equal but opposite effect i.e.: decreased net income.

(i) 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 2023:

Foreign Exchange	Balance	Repricing period			
	Sheet Total \$M	0-3 months	3-6 months \$M	6-12 months	12+ months
Cash balances with Central Banks	11.42	11.42	-	-	-
Cash balances with Banks	2.02	2.02	-	-	-
Fixed deposits	651.21	162.80	175.83	312.58	-
Negotiable Certificate of Deposits	40.71	12.83	8.96	18.91	-
Bonds	24.80	-	-	-	24.80
Repurchase agreements	305.90	305.90	-	-	-
TOTAL	1036.05	494.97	184.79	331.49	24.80

27. Financial risk management (continued)

(c) Credit risk(continued)

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 now implemented since April 2023. The decision to proceed with implementation of loans benefit is the result of P.P 2020/2021 Number 106 and P.P 2020/2022 Number 24 (CBS Annual Reports for FY2019/2020 and 2020/2021 by the Parliament's Finance & Expenditure Committee, which were discussed and passed by Parliament of Samoa during its meeting on 7 March 2023.

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 2023				
Current (not overdue)	2.5%	5,624	77	-
Staff loans assessed individually		94	17	-
		<u>5,718</u>	<u>94</u>	<u>-</u>

Balances which are not current are assessed individually for impairment. The movement in the loss allowance for staff loan receivables is disclosed in Note 10.

27. Financial Risk Management (continued)

(c) Credit risk(continued)

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-Jun-23
Securities held under repurchase agreements with Central Banks	AA+		29.53
T/Deposits with BIS	AAA		10.34
BIS G1-Bond	AAA		2.39
Cash with other Central Banks			1.1
Subtotal balances with Central Banks			43.36%
Negotiable Certificate of Deposit			3.93%
RABOBANK		BBB+	0.56
HERITAGE BANK		BBB+	0.34
BANK OF QUEENSLAND		BBB+	1.79
P & N Bank		BBB+	1.24
BONDS			0
EUROPEAN INVESTMENT BANK		AAA	0
Deposits with Commercial Banks			52.52%
ANZ		AA-	3.18
BNZ		AA-	0.33
BOC		A	16.32
DBS		AAA	4.35
ICBC		A	11.34
RABO		A+	7.91
WBC		AA-	9.09
Others (CASH)			0.19%
ANZ		AA-	0.01
BNZ		AA-	0.06
BOC		A	0.07
WBC		AA-	0.03
ICBC		A	0.02
Subtotal balances with commercial Banks			56.64%
TOTAL			100.00%

27. Financial Risk Management (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology, and infrastructure and from external factors other than liquidity, credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. 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 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 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 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 30th June 2023 as follows:

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

The project was estimated to cost \$40.0 million tala. The cost already incurred on this as at 30 June 2023 is \$2.1m (2022: \$2.9m) 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 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 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\$1,122,480. (2022: SAT\$692,518).

30. Approval of financial statement

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

	<p>- chartered accountants</p>	<p>PO Box 6028 Unit 6, Seiuli Taulafo Complex Lotopa, Samoa Tel: +685 29890/ 7774845/ 7785053 or 24588, 28875/ 7528875/ 8429890</p> <p>www.sua-pauga.com</p>
---	--------------------------------	--

Independent Auditor's Report

To the Controller and Chief Auditor

Auditor's Opinion

We have audited the accompanying financial report of Central Bank of Samoa (the Bank), which comprises the statement of financial position as at 30 June 2023, the statements of financial performance, cash flows and changes in capital and reserves for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial report gives a true and fair view of the financial position of Central Bank of Samoa as of 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the 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 Bank in accordance with the ethical requirements that are relevant to our audit of financial statements in Samoa, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Responsibility of the Board of Directors for the Financial Report

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

In preparing the financial statements, Board 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.

The Board and those charged with governance are responsible for overseeing the Bank's financial reporting process.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. .

APPENDIX - Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when 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 scepticism 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 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.

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
- (ii) Public Finance Management Act 2001

We also confirm that:

- (a) We have been given all the 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.

SU'A ma PAUGA
Chartered Accountants



Tagaloa Faafouina Su'a
Engagement Partner
Apia, Samoa 18 October 2023