



ANNUAL AUDITED FINANCIAL STATEMENTS
30 JUNE 2021



Financial Statements

Central Bank of Samoa

For the year ended 30 June 2021

**Central Bank of Samoa
Financial Statements
For the year ended 30 June 2021**

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Central Bank of Samoa
Management's Statement
For the year ended 30 June 2021

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.


Majava Atalina Ainuu-Enari
Governor

Dated: 8 OCTOBER 2021


Gilbert Wongsin
Assistant Governor - Corporate Services Group

Dated: 8 OCTOBER 2021


Peniamina Tauati
Manager Accounts & Budget

Dated: 8 OCTOBER 2021

**Central Bank of Samoa
Directors' Statement
For the year ended 30 June 2021**

The directors present their report together with the financial statements of the Central Bank of Samoa ("the bank") for the year ended 30 June 2021 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 2021.
- (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 2021.

Operating

The result for the year is a net profit of \$4.0 million tala (2020 net profit of \$3.8 million tala).

Reserves

The Directors recommend that a net profit of \$4.0 million tala be transferred to reserves.

Dividends

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

Dated at Apia: 8 October, 2021

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 which comprise of the Statement of Financial Position as at 30 June 2021, the statements of financial performance, cash flows and changes in capital and reserves for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Sua 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 Faafouina 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 2021, 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.

Emphasis of Matters

(a) COVID-19

As discussed in Note 2, the ongoing uncertainty of the Coronavirus (Covid-19) continues in doubt around the world. The current volatility in financial markets introduces additional challenges to discount rates for the Banks financial derivatives as the parameters used to estimate discount rates become more unpredictable. The Board also noted imminent inflationary pressures thus, they are monitoring the inflation on a timely basis.

The Board felt that the monetary policy should remain easing in order to support the economic recovery momentum with the aim to maintain interest rates at low and affordable levels to encourage lending to private businesses in order to foster domestic investment and economic activity. Board and Management still prepares the financial reports on the going concern assumption. Our opinion is not modified with respect to this.

Responsibilities of Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Central Bank of Samoa's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Central Bank of Samoa or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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to the Controller and Auditor General



AUDIT OFFICE

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 8th October 2021 and our opinion is expressed as at that date.

Apia, Samoa
14 October 2021


Mua'ausā Marshall Maua
ASSISTANT CONTROLLER AND AUDITOR GENERAL

Central Bank of Samoa
Statement of Financial Performance
For the year ended 30 June 2021

	Note	2021 \$('000)	2020 \$('000)
Income			
Interest income on cash and investments	21	5,980	10,197
Interest income on lending		1,533	1,699
Rental income		1,010	1,199
Other income	22	871	3,823
Total Income		9,394	16,918
Expenses			
Administrative expenses		968	1,590
Board expenses	23 (ii)	8	23
Communication costs		460	393
Currency issue costs		1,634	2,115
Depreciation	12	1,094	1,054
Directors fees	23 (ii)	62	63
External audit costs		44	44
Finance costs		530	1,052
Occupancy costs		538	649
Staff costs		5,595	5,621
Withholding tax on interest income		41	56
Total Expenses		10,974	12,660
(Loss)/Profit before foreign currency translation		(1,580)	4,258
Foreign exchange gains/(losses)		5,666	(447)
Net profit for the year	20	4,086	3,811

The accompanying notes form part of these financial statement.

Central Bank of Samoa
Statement of Financial Position
For the year ended 30 June 2021

	Note	2021 \$('000)	2020 \$('000)
ASSETS			
Foreign currency assets			
Cash and fixed deposit balances	5	715,941	573,521
International monetary fund	7	67,014	71,873
Accrued interest	8	2,228	1,786
Total foreign currency assets		785,183	647,180
Local currency assets			
Cash and fixed deposit balances	6	44,939	50,857
Accrued interest		13	14
Currency inventory	9	11,840	12,948
Receivables and prepayments	10	7,286	7,442
Credit line facilities	11	85,147	86,639
Property, plant and equipment	12	18,496	18,696
Total local currency assets		167,721	176,596
Total assets		952,904	823,776
LIABILITIES			
Foreign currency liabilities			
Deposits	13	143,805	109,966
IMF facilities	14	67,687	72,533
International monetary fund	7	93,049	93,832
Other liabilities		12	17
Total foreign currency liabilities		304,553	276,348
Local currency liabilities			
Deposits	13	447,224	356,912
Currency in circulation	15	142,569	131,745
Payables and accruals		37,150	34,920
Provision for employee entitlements	16	410	496
Total local currency liabilities		627,353	524,073
Total liabilities		931,906	800,421
Net assets		20,998	23,355
EQUITY			
Capital	18	20,000	20,000
General reserve	19	10,964	18,987
Unrealised foreign exchange revaluation reserve	20	(9,966)	(15,632)
Total equity		20,998	23,355

The accompanying notes form part of these Financial Statements.

Signed on behalf of the Board:

Governor

Date 8 OCTOBER 2021

Director

Date 8 OCTOBER 2021

**Central Bank of Samoa
Statement of Changes in Equity
For the year ended 30 June 2021**

	Note	Paid up capital	Unrealised (loss)/profit reserve	General reserve	Total
		\$('000)	\$('000)	\$('000)	\$('000)
Balance at 30 June 2019		20,000	(15,185)	11,064	15,879
Excess face value of coins already issue into circulation over its cost not to return for redemption by CBS				5,794	5,794
Net profit/(loss) for the year			(447)	4,258	3,811
Profit transfer to Govt in terms of Sect3(1) (b) of CBS Act 2015				(2,129)	(2,129)
Balance at 30 June 2020		20,000	(15,632)	18,987	23,355
Net profit(loss) for the year	20		5,666	(1,580)	4,086
Reversal of excess of face value of coins issued into circulation over its cost not to return for redemption by CBS				(5,794)	(5,794)
Reversal of Seignorage Income due to change of policy in issurance of coins				(649)	(649)
Balance at 30 June 2021		20,000	(9,966)	10,964	20,998

The accompanying notes form part of these Financial Statements.

Central Bank of Samoa
Statement of cash flows
For the year ended 30 June 2021

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	2021 \$('000)	2020 \$('000)
Cash flows from operating activities			
Cash received from investments		5,980	10,192
Cash received from rent		1,010	1,199
Other income		222	3,823
Cash paid for services and goods		(4,000)	(4,763)
Cash paid to employees		(4,142)	(4,259)
Interest paid on deposits		(530)	(1,052)
Net cash applied (to)/from operating activities		(1,460)	5,140
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		34	2
Credit line facility repayments received during the year		1,492	9,094
Interest received on credit line facility		1,533	1,699
Purchase of property, plant and equipment	12	(893)	(1,613)
Net movement in term deposits more than 90 days		(2,436)	(203)
Net cash applied (to)/from investing activities		(270)	8,979
Cash flows from financing activities			
Net movement in notes and coins in circulation		10,824	7,491
Net movement in demand deposits		90,312	39,792
Currency issue costs		(1,634)	(2,115)
Net movement in securities		-	(20,000)
Net movement in external liabilities		28,205	77,848
Net cash applied to financing activities		127,707	103,016
Net increase in cash and cash equivalents		125,977	117,135
Cash and cash equivalents at the beginning of the year		696,251	579,563
Net unrealised gains on translation of foreign currency monetary assets and liabilities		5,666	(447)
Cash and cash equivalents at end of year		827,894	696,251

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 2021

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 _____, 2021.

2. COVID-19 Impact

- a. The Central Bank Board of Directors approved the continuation of its easing monetary policy stance for another year (FY2020/21) at its meeting on the 3rd September 2021.

According to the IMF's July 2021 World Economic Outlook (WEO), the global economy is expected to grow by 6.0 percent in 2021 with a smaller growth of 4.9 percent in 2022. This positive outlook is based on strong growth expected for major economies like the US, China and Euro zone as easing of national lockdowns and international border restrictions are expected to spur economic activity. For the year 2021/22, the IMF is forecasting a 5.45 percent global growth.

On the domestic front, the Samoan economy continued to suffer from the adverse effects of the COVID-19 pandemic, with real GDP falling further by -8.7 percent in 2020/21 from -2.7 percent in the previous year. This is equivalent to a total loss of around SAT\$172 million in the country's real GDP up to June 2021. The absence of inbound tourism travel and their related real-sector contributions and activities for over a year now, has contributed to the lowest real GDP level since SAT\$1.77 billion in FY2013/2014. The overall decline was underpinned by reductions in sectors such as Commerce, Construction, Business services, Accommodation & Restaurants and Transport amongst others. On the other hand, the headline inflation decelerated further during the year, falling to -3.0 percent at end June 2021. There were no visitor arrivals and earnings in FY 2020/21 due to ongoing border restrictions however, official foreign reserves improved dramatically (by \$138.4 million) to \$732.68 million due to the influx of foreign grants and budget support funds for Government as well as a 6.9 percent improvement in remittances. As a result, the overall import cover stood at around 10.7 months as at end June 2021.

The banking system at end June 2021 remained well-capitalized with the capital adequacy ratio at 28.1 percent, well above the 15.0 percent minimum prudential requirement. Its liquidity was more than adequate at 27.4 percent, also well above its minimum prudential requirement of 10.0 percent. Non-performing loans (NPLs) as at end June 2021 stood at 3.7 percent and its provisioning for doubtful loans to total NPLs stood at 189.6 percent in June 2021.

The outlook for the Samoan economy in FY2021/22 is for real GDP to rebound by 1.7 percent. This recovery is in line with the economy moving past a full 12 months of no visitor earnings as well as expected increases for most sectors of the economy. On the other hand, the headline inflation is expected to rise to around 3.7 percent by end June 2022, underpinned mainly by the expected hike in imported inflation. The prices for fuel, food and imported construction materials have all increased recently and are expected to go up further during the year. On the other hand, export of goods are expected to drop, primarily due to lower fish exports. Remittances are expected to increase slightly by 0.5 percent in the coming year. As a result, total foreign reserves are expected to expand to \$765.68 million, sufficient to buy around 11.0 months of goods only in FY 2021/22.

As such, the Board felt that the monetary policy should remain easing in order to support the economic recovery momentum. The aim is to maintain interest rates at low and affordable levels to encourage lending to private businesses in order to foster domestic investment and economic activity. However, the Board also noted the pickup of inflationary pressures and the need to monitor closely the developments in the headline inflation going forward.

2. COVID-19 Impact (continued)

- b. The ongoing uncertainty of the Coronavirus (Covid-19) continues in doubt around the world. Board and Management still prepares the financial reports on the going concern assumption. Further to risk management and assessment details in note 25, following are some of the specific issues and uncertainties in the wake of the pandemic which is constant at balance date:

(i) Discount rates used for Impairment Assessment

It is likely to be far more challenging to estimate the discount rate for value in use calculations. The current volatility in financial markets introduces additional challenges to this process as the parameters used to estimate discount rates become more unpredictable. Values for assumptions for which were somewhat settled in the past, such as the use of long-term government bond yields as a proxy for the risk free rate, may no longer be appropriate. This means that, more than ever, discount rates need to be assessed after a thorough review of:

- Current market conditions
 - Guidance provided by market evidence of value for comparable amongst banks and or assets
 - Risk of the asset or cash generating unit (CGU) for which recoverable amount is being estimated
- (ii) Profitability - income has dropped significantly by 50% as a result of the pandemic (ie lower income from sale of numismatic product plus lower interest earned from investments)
- (iii) Inherent Risks - Expected Credit losses assessment on financial assets (credit line facilities)

Economic pressures on borrowers mainly tourism sector associated with the downturn and the recessionary periods due to the effects of the pandemic. Although there are grace period, the forward looking assessment on expected credit losses is an ongoing assessment. This impacts on forecast contractual cash flows.

The Board continues its expansionary monetary policy stance to keep the cost of capital low and/or encourage Commercial Bank to continue lending to the private sector at low interest rates

c. Adoption of new and revised Standards

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)

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.

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

3. Statement of significant accounting policies

d. Property, plant and equipment(continued)

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.

d. 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.

e. 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.

3. Statement of significant accounting policies

f. Financial instruments (continued)

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 amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised 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.

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').

3. Statement of significant accounting policies (continued)

f. Financial instruments (continued)

'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.

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.

3. Statement of significant accounting policies (continued)

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.

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.

3. Statement of significant accounting policies (continued)

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.

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.

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

4. Critical accounting estimates and judgements (continued)

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.

5. Foreign currency cash balances and term deposit balances

	2021 \$'000	2020 \$'000
Cash balances	158,457	183,026
Fixed deposit balances	557,484	390,495
Total foreign currency cash and term deposit balances	715,941	573,521

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:

	2021 \$'000		2020 \$'000	
	Cash balances	Term deposits	Cash balances	Term deposits
\$US dollar denominated deposits	148,136	106,844	162,682	101,002
\$NZ dollar denominated deposits	3,868	165,452	3,424	129,748
\$AU dollar denominated deposits	4,333	181,370	14,652	98,216
\$CNH dollar denominated deposits	6	103,818	6	61,529
\$GBP dollar denominated deposits	2,114	-	2,262	-
Total	158,457	557,484	183,026	390,495

6. Local currency cash balances and term deposit balances

	2021 \$'000	2020 \$'000
Petty cash	5	5
Cash at bank	9,232	16,748
Fixed deposit balances	35,702	34,104
Total local currency cash balances and term deposit balances	44,939	50,857

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

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 30th June 2021:

	2021 \$'000 SAT	2020 \$'000 SAT
Reserve Tranche		
Foreign currency assets		
Currency subscription - quota	59,208	59,707
Special drawing right holdings	7,806	12,166
Total foreign currency assets	67,014	71,873

SDR Allocations

Foreign currency liabilities		
Special drawing right allocations	40,536	40,877
Currency holding	52,513	52,955
Total foreign currency assets	93,049	93,832

8. Foreign currency accrued interest balances

	2021 \$'000	2020 \$'000
Balances with other Central Banks	176	266
Deposits with commercial banks	2,052	1,520
Total foreign currency accrued interest	2,228	1,786

9. Currency inventory

	2021 \$'000	2020 \$'000
Currency notes	8,592	9,458
Coins	3,248	3,490
Total currency inventory	11,840	12,948

10. Receivables and prepayments

	2021 \$'000	2020 \$'000
Prepayments	3,369	3,433
Other debtors	367	70
Interest receivable on staff loans	487	601
Staff loans principal balance	3,135	3,417
Less allowance for impairment on staff loans	(72)	(79)
Net staff loans	3,063	3,338
Total receivables and prepayments	7,286	7,442

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

10. Receivables and prepayments (continued)

	2021	2020
	\$'000	\$'000
<i>Movement in allowance for impairment on staff loans</i>		
Opening balance at 1 July	79	112
Additional/(Reduction) allowance for impairment charged to income and expense	(7)	(33)
Closing balance at 30 June	72	79

11. Credit line facilities

	2021	2020
	\$'000	\$'000
a) Tsunami (Credit line facility)	3,177	4,338
b) Cyclone Evan (Credit line facility)	30,239	30,570
c) Economic Stimulus (Credit line facility)	21,766	21,766
d) Additional Economic Stimulus (Credit line facility)	7,537	7,537
e) Second Additional Economic Stimulus (CLF)	12,744	12,744
f) First Small Medium Enterprises Finance (CLF)	9,684	9,684
Total credit line facilities	85,147	86,639

(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:

	2021	2020
	\$'000	\$'000
Development Bank of Samoa	1,610	1,673
Samoa Housing Corporation	1,567	2,665
Balance at year end	3,177	4,338

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:

	2021	2020
	\$'000	\$'000
Development Bank of Samoa	27,535	27,535
Samoa Housing Corporation	2,704	3,035
Balance at year end	30,239	30,570

	DBS	SHC
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
For the year ended 30 June 2021

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:

	2021	2020
	\$'000	\$'000
Development Bank of Samoa	21,766	21,766
<hr/>		
Balance at year end	21,766	21,766
<hr/>		
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:

	2021	2020
	\$'000	\$'000
Development Bank of Samoa	7,537	7,537
<hr/>		
Total additional credit line facility	7,537	7,537
<hr/>		
Credit Line Loan Amount		
Approved:	\$10 million	
Loan Duration:	15 Years	
Grace Period:	12 months	
Interest Rate:	3% per annum	
Loan Repayment:	Monthly repayments due after grace period	
Securities:	Government Guarantee	

(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:

	2021	2020
	\$'000	\$'000
Development Bank of Samoa	12,744	12,744
<hr/>		
Total additional credit line facility	12,744	12,744
<hr/>		
Credit Line Loan Amount		
Approved:	\$15.0 million	
Loan Duration:	15 Years	
Grace Period:	12 months	
Interest Rate:	3% per annum	
Loan Repayment:	Monthly repayments due after grace period	
Securities:	Government Guarantee	

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

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.

	2021 \$'000	2020 \$'000
Development Bank of Samoa	9,684	9,684
Balance at year end	9,684	9,684

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
Cost					
Balance as at 30/06/19	35,222	492	5,422	1,933	43,069
Additions	1,309	-	272	31	1,612
Disposals	-	-	(39)	-	(39)
Balance as at 30/06/20	36,531	492	5,655	1,964	44,642
Additions	643	131	94	25	893
Disposals	-	(96)	(24)	(12)	(132)
Balance as at 30/06/21	37,174	527	5,725	1,977	45,403
Accumulated Depreciation					
Balance as at 30/06/19	(17,990)	(418)	(4,808)	(1,715)	(24,931)
Charge for the year	(733)	(42)	(220)	(59)	(1,054)
Disposals	-	-	39	-	39
Balance as at 30/06/20	(18,723)	(460)	(4,989)	(1,774)	(25,946)
Charge for the year	(750)	(49)	(249)	(46)	(1,094)
Disposals	-	-	25	12	133
Balance as at 30/06/21	(19,473)	(413)	(5,213)	(1,808)	(26,907)
Written down value:					
As at 30/06/20	17,808	32	666	190	18,696
As at 30/06/21	17,701	114	512	169	18,496

13. Deposits

	2021 \$'000	2020 \$'000
Foreign currency deposits		
Government of Samoa foreign currency deposits	143,805	109,966
Total foreign currency deposits	143,805	109,966

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

13. Deposits (continued)

Local currency deposits		
Demand deposits due to banks	340,717	254,789
Government of Samoa local currency deposits	47,582	50,469
The World Bank deposits	39	49
	388,338	305,307
Statutory reserve deposits		
Domestic banks	57,946	50,765
Insurance companies	940	840
	58,886	51,605
Total local currency deposits	447,224	356,912

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 \$0.5m tala (2020: \$0.9m 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

	2021	2020
	\$'000	\$'000
(a). Exogenous Shock Facility	-	-
(b). Rapid Credit Facility No.1	8,479	12,826
(c). Rapid Credit Facility No.2	59,208	59,707
	67,687	72,533
Balance at year end	67,687	72,533

(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 11th 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.

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.

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

14. International Monetary Fund - Facilities (continued)

(c). 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.

15. Currency in circulation

	2021 \$'000	2020 \$'000
Currency in circulation	142,569	131,745
Balance at year end	142,569	131,745

16. Provision for employee entitlements

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

	2021 \$'000	2020 \$'000
Opening balance at 1 July	496	447
Additional provisions charged to income during the year	211	307
Entitlements utilised during the year	(297)	(258)
Closing balance at 30 June	410	496

17. 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.

18. Capital

	2021 \$'000	2020 \$'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.

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

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:

	2021 \$'000	2020 \$'000
<i>Profit/(Loss) distribution</i>		
Unrealised gains/losses transferred to unrealised profits reserve	5,666	(447)
Net (loss)/profit transferred to general reserves	(2,229)	4,258
Net profit/(loss)	3,437	3,811
<i>Movement in Unrealised profit/(losses) reserve</i>		
Opening balance at 1 July	(15,632)	(15,185)
Unrealised gains/(losses) for the year	5,666	(447)
Closing balance at 30 June	9,966	(15,632)

21. Interest income

	2021 \$'000	2020 \$'000
Interest on cash accounts	9	1,807
Interest on term deposits	5,971	8,390
Total interest income	5,980	10,197

22. Other income

	2021 \$'000	2020 \$'000
Interest on staff loans	137	154
Income from collectors and other income	734	3,669
Total other income	871	3,823

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

23. 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 (2020: 25).

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

	2021 \$'000	2020 \$'000
Salaries and short-term employment benefits	1,540	1,554
Other long-term benefits	113	163
Total key management personnel remuneration	1,653	1,717

(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.

	2021 \$'000	2020 \$'000
Directors fees	62	63
Board expenses	8	23
Total directors and board expenses	70	86

(iii) Due from and due to related parties

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

	2021 \$'000	2020 \$'000
Balances due to related parties	191,387	160,435
Balances due from related parties	1,116	1,284

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.

24. Lease receivable

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

	2021 \$'000	2020 \$'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

24 .Lease receivable (continued)

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\$1,009,833 (2020: SAT\$1,198,585).

Direct operating expenses in relation to building floors leased out amounted to SAT\$849,160 (2020: SAT\$920,867). 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.

25. 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 2021

25. Financial risk management (continued)

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2021

	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	158,456	-	-	-	-	158,456
Fixed deposits	5,372	552,112	-	-	-	557,484
International Monetary Fund	-	-	-	-	67,014	67,014
Accrued interest	283	1,945	-	-	-	2,228
	164,111	554,057	-	-	67,014	785,182
Local Currency Assets						
Cash balances	9,237	-	-	-	-	9,237
Fixed deposits	-	35,702	-	-	-	35,702
Accrued interest	-	13	-	-	-	13
Currency stock on hand	-	-	-	-	11,840	11,840
Receivables and prepayments	-	854	3,369	3,063	-	7,286
Credit line facility	-	-	-	85,147	-	85,147
Property, plant and equipment	-	-	135	18,361	-	18,496
	9,237	36,569	3,504	106,571	11,840	167,721
Total Assets	173,348	590,626	3,504	106,571	78,854	952,904
Foreign Currency Liabilities						
Demand deposits	143,805	-	-	-	-	143,805
IMF Facilities	-	-	-	67,687	-	67,687
International Monetary Fund	-	-	-	-	93,049	93,049
Other liabilities	12	-	-	-	-	12
	143,817	-	-	67,687	93,049	304,553
Local Currency Liabilities						
Demand deposits	447,224	-	-	-	-	447,224
Currency in circulation	-	-	-	-	142,569	142,569
Central Bank Securities	-	-	-	-	-	-
Creditors and accruals	2,386	34,670	94	-	-	37,150
Provisions	-	-	-	410	-	410
	449,610	34,670	94	410	142,569	627,353
Total Liabilities	593,427	34,670	94	68,097	235,618	931,906
Net Assets	(420,079)	555,956	3,410	38,474	(156,764)	20,998

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

25. 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
Foreign Currency Assets						
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
Local Currency Assets						
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	-	7,442
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
Total Assets	217,513	409,315	3,586	108,541	84,821	823,776
Foreign Currency Liabilities						
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
Local Currency Liabilities						
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
Total Liabilities	468,549	33,176	90	73,029	225,577	800,421
Net Assets	(251,036)	376,139	3,496	35,512	(140,756)	23,355

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

25. 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	0.81	2.01	4.33	2.11	0.003	9.27
Cash balances with banks	-	1.58	0.27	-	0.004	1.86
Fixed deposits	107.02	165.98	73.06	-	104.98	451.05
Repurchase agreements	147.33	-	-	-	-	147.33
Total	255.16	169.58	186.33	2.11	104.99	718.17

Concentration of foreign currency balances

	USD	NZD	AUD	GBP	CNY	TOTAL
Cash balances with Central Banks	0.1%	0.3%	0.6%	0.3%	-	1.3%
Cash balances with Banks	-	0.3%	-	-	-	0.3%
Fixed deposits	14.9%	23.1%	25.3%	-	14.6%	77.9%
Repurchase agreements	20.5%	-	-	-	-	20.5%
Total	35.5%	23.6%	25.9%	0.3%	14.6%	100.0%

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

	30 June 2021	30 June 2020
USD	0.39029	0.37326
NZD	0.55847	0.58190
AUD	0.51972	0.54438
GBP	0.28191	0.30387
EURO	0.32807	0.33326
SDR	0.27360	0.27130
CNY	2.52271	2.64307
CNH	2.52355	2.64250

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.

Sensitivity analysis

A 10% weakening of the Samoan tala against the above currencies at 30 June 2021 would have increased net income by the amounts shown below:

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

25. Financial risk management (continued)

(b) Market risk (continued)

	Income effect 2021 \$'000	Income effect 2020 \$'000	General reserves effect 2021 \$'000	General reserves effect 2020 \$'000
USD	24,659	26,263	10,684	10,100
NZD	17,501	13,585	16,545	12,974
AUD	19,072	11,321	18,137	9,822
GBP	227	254	-	-
EURO	(1)	(1)	-	-
CNH	6,778	7,090	10,382	6,153
SDR	10,847	6,252	-	7,187
TOTAL	79,085	64,764	55,748	46,236

A 10% strengthening of the Samoan tala against the above currencies at 30 June 2021 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 2021:

	Balance Sheet Total \$M	Repricing period \$M			
		0-3 months	3-6 months	6-12 months	12+ months
Cash balances with Central Banks	9.27	9.27	-	-	-
Cash balances with Banks	1.86	1.86	-	-	-
Fixed deposits	451.05	5.37	23.08	422.61	-
Negotiable Certificate of Deposits	104.35	-	9.61	94.74	-
Bonds	4.31	-	-	-	4.31
Repurchase agreements	147.33	147.33	-	-	-
TOTAL	718.17	200.7	111.4	517.35	4.31

(c) Credit risk

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

The 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 2021				
Current (not overdue)	2.5%	2,823	58	-
Staff loans assessed individually		311	14	-
		3,134	72	-

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2021

25. Financial risk management (continued)

(c) 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-Jun-21
Securities held under repurchase			
agreements with Central Banks	AA+		20.51
Deposits with Central Banks	AAA		7.57
Cash with other Central Banks			1.29
Subtotal balances with Central Banks			29.38
Negotiable Certificate of Deposit			
ME BANK		BBB+	4.44
BANK OF QUEENSLAND		BBB+	6.74
RABO		A	2.81
QUDOS BANK			0.54
BONDS			0.6
EUROPEAN INVESTMENT BANK		AAA	0.6
Deposits with Commercial Banks			55.23
ANZ		AA-	1.00
BNZ		AA-	1.99
BOC		A	17.58
DBS		AAA	9.64
ICBC		A	15.89
RABO		A	5.98
WBC		AA-	3.15
Others (CASH)			0.26
ANZ		AA-	0.03
BNZ		AA-	0.08
BOC		A	0.10
WBC		AA-	0.04
ICBC		A	0.02
Subtotal balances with commercial Banks			70.62
TOTAL			100

25. 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 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.

26. 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.

27. Commitments for expenditures

The Directors are aware of the Bank's commitment at 30th June 2021 as follows:

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

The project was estimated to cost \$28.5 million tala. The cost already incurred on this as at 30 June 2021 is \$2.8m (2020: \$2.1m) 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.

28. 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\$555,002. (2020: SAT\$2,877,681).

29. Approval of financial statement

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



- chartered accountants

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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 2021, 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 2021, 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.

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, KAM's are adequately disclosed on the notes to financial statements in relation to uncertainty faced by the Banks together with compensating actions. Thus, not required to report separately.

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.

Emphasis of Matters

(a) COVID-19

As discussed in Note 2, the ongoing uncertainty of the Coronavirus (Covid-19) continues in doubt around the world. The current volatility in financial markets introduces additional challenges to discount rates for the Banks financial derivatives as the parameters used to estimate discount rates becomes more unpredictable. The Board also noted imminent inflationary pressures thus, they are monitoring the inflation on a timely basis.

The Board felt that the monetary policy should remain easing in order to support the economic recovery momentum with the aim to maintain interest rates at low and affordable levels to encourage lending to private businesses in order to foster domestic investment and economic activity

Board and Management still prepares the financial reports on the going concern assumption. Our opinion is not modified with respect to this.

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 Company'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 Company'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 Company 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
29 September 2021

