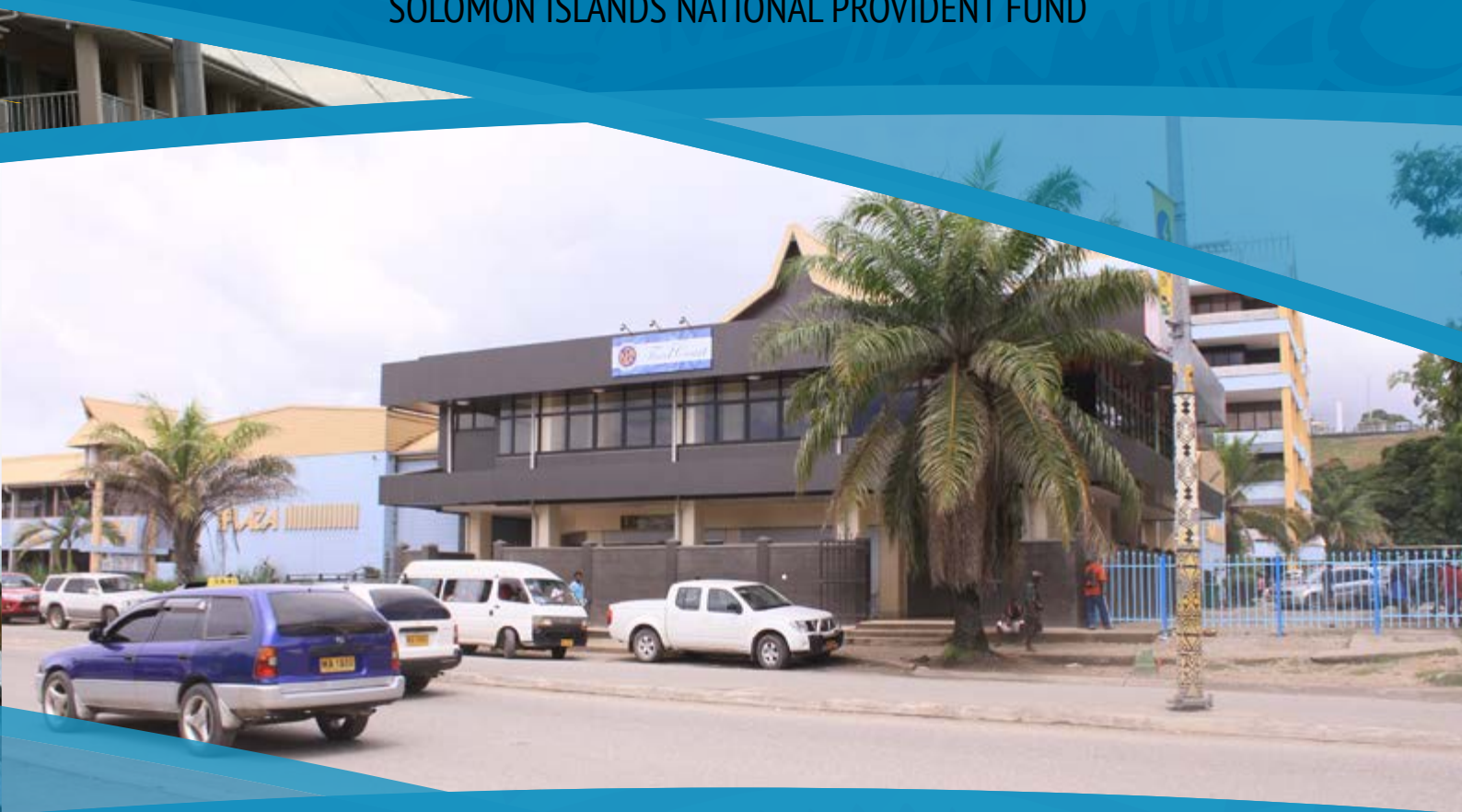




SOLOMON ISLANDS NATIONAL PROVIDENT FUND



ANNUAL REPORT 2015

Highlights

Members' and
employers'
contribution reached

\$239.3
million

compared to \$226.5 million
the previous year – a moderate
increase of 5.6%

Total accumulated
members' contribution
reached

\$2.3
billion

representing 11% increase from
\$2.05 billion in 2014

Total members with
the Fund reached

180,265

Members with credit
balances

stood at

122,383

out of which

53,250 members were active



Active employers
registered
reached

2,534

compared to 2,176 last year

Net assets of the Fund
reached

\$2.7
billion

representing 5.9% increase from
\$2.6 billion in 2014

Net surplus realized
was

\$162.5
million

compared to \$227.6 million in
2014

Members
withdrawals reached

\$176.8
million

compared to \$116.7 million in
2014 – an increase by 51%

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Vision Statement

Provide comfortable life during and after retirement through a sustainable contribution growth.

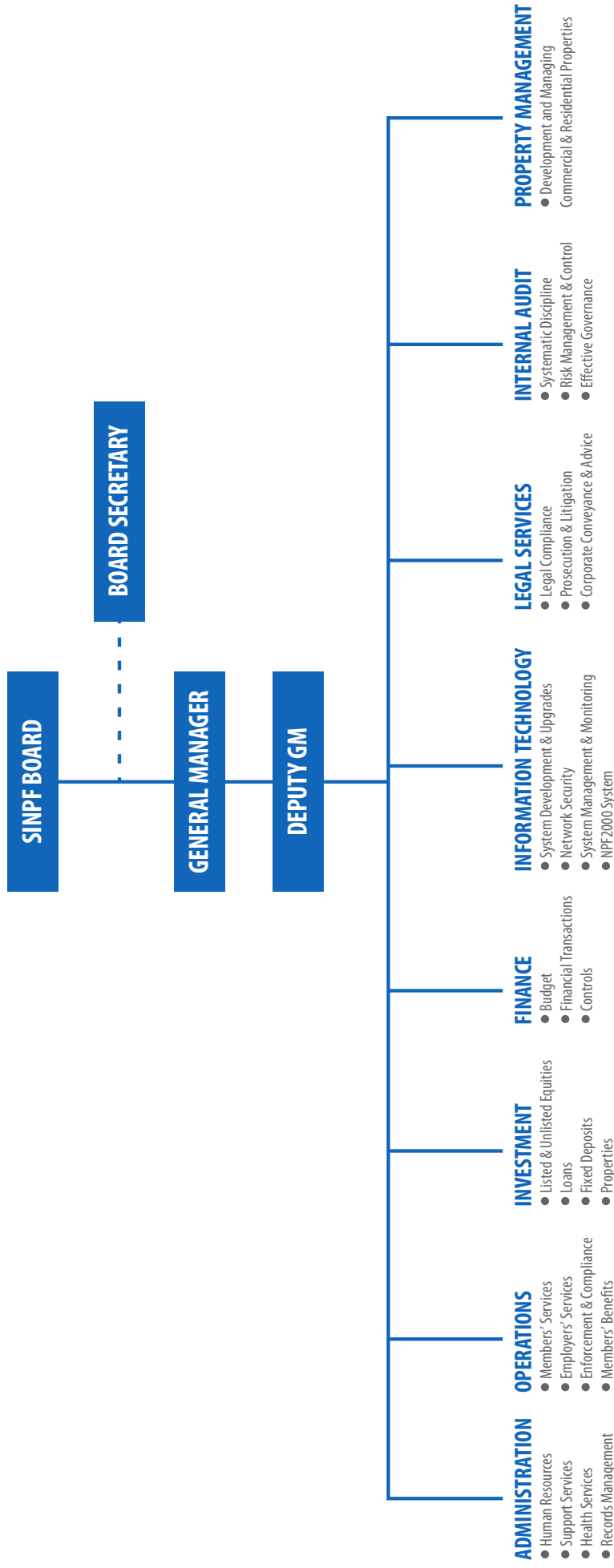
Mission Statement

Protecting and preserving contribution savings of members. In this connection, the Fund attempts to optimize growth through prudent investment and effective risk management strategies to deliver high returns and service delivery to our members with satisfaction.

Value Statement

- Committed to best management practices with honesty and integrity
- Pursuing productive investments that deliver high returns in compliance to the Fund's Strategic Asset Allocation
- Undertake effective partnership with stakeholders to utilize commercial opportunities
- Exercise effective risk management to minimize adverse effects to members' savings
- Preserve, protect and grow members' contribution savings
- Focus on effective and efficient customer service delivery as priority
- Enhance human resource capacity and capability to meet new challenges through training
- Be transparent accountable and responsible for our actions
- Sustain teamwork culture to achieve targets and goals in timely manner
- Recognize staff welfare needs that encourage motivation, productivity and retention
- Committed to communicating developments, activities and results
- Support community endeavors without impacting on members' saving

Organization Structure



2015 Staff Retreat



Board of Trustees



Mr. Baoro Laxton Koraua
CHAIRMAN

Board member of the Fund since 2012. He represents Employers. He is also Board Director of Solomon Telekom Ltd. Chairman of IT and Audit & Finance sub-Committees.



Mr. Peter Boyers
DEPUTY CHAIRMAN

Joined the Board in 2010. Appointed at the discretion of Hon. Minister of Finance. He is the Chairman of South Pacific Oil Ltd, Board Director of Soltuna Ltd and Sasape International Slipway Ltd. Member of the Investment & Credit Sub-Committee.



Mr. Harry Kuma
MEMBER

Board Member since 2012 representing the Crown. He is the Chairman of Solomon Telekom Ltd and Board Director of South Pacific Oil Ltd. He is also the Chairman of Investment & Credit sub-Committee and Member of Audit & Finance sub-Committee.



Mr. Gideon Zoleveke (Jnr)
MEMBER

Appointed to the Board since early 2013. He represents the Employers. He is a Board Director of South Pacific Oil Ltd and Member of Investment & Credit Sub-Committee and the Board's Taskforce Committee.



Dr. Alice Pollard
MEMBER

Board Member of the Fund since early 2013. Her appointment was made at the discretion of Hon. Minister of Finance. She is the Board Director of Heritage Park Hotel Ltd and Solomon Home Finance Ltd. She is also Chairperson of Staff Welfare sub-Committee.



Dr. Levi Hou
MEMBER

Board Member of the Fund since 2011. He represents the Employees. He is the Board Director of South Pacific Oil Ltd and Member of Board's Taskforce Committee.



Mr. Jerry M. Tengemoana
MEMBER

was appointed to the Board in 2014 at the discretion of the Finance Minister. He is a member of the Credit & Investment Committee and a member of the IT Committee.



Mrs. Julie Gegeu Haro
MEMBER

was appointed to the Board in 2014. She represents Employers. She is a member of the Credit & Investment Committee.



Ms. Ruth Alepio
BOARD SECRETARY

Board Secretary since 2001. She is a member of the NPF Management team.

Chairman's Letter

Honourable Minister
Ministry of Finance and Treasury
P.O. Box G26
Honiara
Solomon Islands

Dear Sir,

SOLOMON ISLANDS NATIONAL PROVIDENT FUND ANNUAL REPORT 2015

In accordance with Section 12(2) of Solomon Islands National Provident Fund Act 1973 (as amended), I have the honour to submit to you, on behalf of the Board of Trustees of Solomon Islands National Provident Fund, the Annual Report for the Financial Year ended 30th June 2015 which incorporates the Statement of Assets and Liabilities, Statement of Accounts and major development events and activities of the Fund during the financial period.

Thank you and we appreciate your continuous understanding, support and cooperation.

Yours faithfully,



Peter Boyers
Chairman
Board of Trustees

Chairman's Report



On behalf of the Board of Trustees, I am pleased to present this statement as Chairman of the Board of Solomon Islands National Provident Fund. Before the start of the financial year we had anticipated 2015 to be another challenging year, on the back of continued slowing economic growth both domestically and offshore, leading to investment income and profitability. That said, the 2015 financial year was another positive year with good outcomes across a number of key financial and operational areas. The members' contribution inflows increased by 5.6%, total accumulated members' savings increased by 11% and balance sheet net assets of the Fund also increased by nearly 6% compared to the previous year 2014 performance.

The Highlights

In light of the challenges faced during the financial year period, the Fund has achieved these following highlights:

- Contribution receipts from members and employers reached \$239.3 million compared to \$226.5 million – a moderate increase of 5.6%,
- Total accumulated members' contribution savings amount to \$2.3 billion representing 11% increase from \$2.05 billion in 2014,
- Total accumulated registered members with the Fund reached 180,265,
- Total accumulated registered members with credit balances stood at 122,383 out of which 53,250 members were active,

- Active employers registered reached 2,534 compared to 2,176 in previous year – an increase by 16%
- Net Assets of the Fund reached \$2.7 billion representing 5.9% increase from \$2.6 billion achieved in the previous year 2014,
- Net surplus realized was \$162.5 million compared to \$227.6 million in 2014,
- Members withdrew contribution savings valued at \$176.8 million compared to \$116.7 million in financial year 2014 – an increase by 51%,

In light of the results, the Board was able to approved 10% interest rate and monetary value was credited to members with balances held by the Fund.

Policies and Risk Management

The Board has continued to carry out its fiduciary duties as Trustees of members' savings including the introduction of new policies to protect member's savings. In 2015 we insisted that the approved risk management policies emanating from the Risk Management Report and the subsequent Business Rolling Plans be reviewed to make necessary changes to mitigate any potential risks. Policies relating to tender, procurement and financial delegation authority limits were reviewed and where necessary, amended and endorsed by the Board. Other policies relating to investments and Staff Manual Policy Procedures will be reviewed and be considered by the Board.

On the investment front, the Board is under pressure from the Central Bank of Solomon Islands and the Fund's external auditors to pursue a de-risking strategy, its domestic equity investment assets in Solomon Telekom Ltd and South Pacific Oil Ltd. From the prudential viewpoint, these equity investments could pose high risks to the Fund in the event of a serious economic disaster, hence the requirement by the regulator to mitigate such risk.

During the year, several offshore investors expressed their interests to purchase shares, in the two companies, while the majority control of the investment is retained by the Fund. The Board and Management are assessing these expressions of interest with the intent of finding the best option, that will provide optimal return to members.

Financial Performance

The Fund is committed to its planned income and profitability targets to deliver adequate return to members from its investment assets. In the Financial Year 2015, the Fund achieved \$137.6 million, a reduction by 14.8% from the previous year. The source of revenue was through dividend payments from listed and unlisted equities, rental from properties, interests on loans and bonds and gains from changes in fair values of investment assets. Based on these income sources, the Board declared a 10% interest rate to members, a reduction from the 15% interest rate in 2014.

We will maintain our commitment and foresight to ensure the Fund broadens its prudent investments in potential and commercially viable opportunities both onshore and offshore, guided by the approved strategic asset allocation policy guidelines. This is to maximize revenue potentials and profitability, with its available high cash liquidity currently earning very low returns compared to statutory return of 2.5%. In so doing, we will be able to deliver satisfactory investment returns on members' savings with the Fund.

Looking Ahead

The Five Year Rolling Business Plan, which reflects strategic programs, targets and timeframes is being implemented. Already some of these targets have been met, others yet to be completed while new benchmarks have also been introduced under the plan.

Ensuring that we have a good mix of investments according to the Fund's strategic asset allocation (SAA) to meet the investment objectives and returns to members remains our priority. We will review the strategic asset allocation policy guidelines which currently experienced some imbalances, especially in terms markets/economy and industry. This is part of the Fund's risk management strategy to mitigate any adverse effect on members' retirement wealth.

Consultations have started with stakeholders with the view to rebalance investment assets according to the approved SAA. It is our hope there is a conducive environment for investment in our domestic economy to allow the Fund to make prudent and viable investments with its sufficient liquidity to generate further incomes, higher return to our valued members and employment

generation.

As my predecessors has alluded to in the past, while members have been enjoying good results, we must also accept the fact that at times the return may also fall. This is closely influenced by the investment cycle employed by the Fund i.e. one year with good result and another year may be with poor results. Within the recent past years, the members were fortunate to be credited with double-digit interest rates above our country's inflation rate. We will continue to pledge our commitment to protect and grow the members' contribution savings and provide quality service to our members.

Acknowledgement

I acknowledge and thank my fellow Board members for their wise counsel, loyalty, commitment and leadership rendered to the Fund. Moreover, I would like to commend General Manager, Management and staff of the Fund for their hard work, dedication and commitment provided in delivering satisfying results in Year 2015.

I would also thank the employers, Solomon Islands Government, Central Bank of Solomon Islands and other stakeholders for their untiring support and cooperation with the Fund in achieving its objectives. It would be amiss of me not to thank the outgoing Chairman, Baoro Laxton Koraua and Board member, Harry Kuma for stewardship and commitment rendered to the Fund during their tenure as Board of Trustees to the Fund.

I look forward to working with you all again in 2016 for benefit our members and our beloved country – Solomon Islands.



Peter Boyers
Chairman

Executive Management



Tony Makabo
GENERAL MANAGER



Mike Wate
DEPUTY GENERAL MANAGER



Aluta Kakadi
MANAGER OPERATIONS



Suzanne Orudiana
MANAGER IT



Jennifer Lakoa
MANAGER PROPERTY &
INVESTMENTS



Ishmael Kako
LEGAL COUNSEL



Areau Hivu
INTERNAL AUDITOR



Rose Karoa
MANAGER FINANCE



Alfred Sare
MANAGER HUMAN RESOURCES
& CORPORATE SERVICES

General Manager's Report



The 2015 financial year was a challenging one for the Fund. Despite the lack of growth in our domestic economy which hindered further investments during the year, the Fund continued to record satisfactory financial results, grow existing investment asset portfolios, membership and contribution savings enhanced and effective service to our members and employers. The need to establish a productive investment environment and economic growth in our economy guarantees the Fund's participation to infuse further investments to secure growth in revenues and profitability for the benefit of our valued members.

Fund's Performance

Overall, the Fund's performance was satisfactory during the financial year 2014-2015 leading to a crediting rate of 10% to members in spite of the economic challenges faced. The investment assets portfolio has grown by nearly 6% even though no major investments were made during the period. The growth is realized from existing investment assets made by the Board.

Members' Services

Pertaining to members services, the total

accumulated membership with the Fund has reached unprecedented level of 180,265 from 173,286 members in 2014. However, the members with contribution credit balance valued at \$2.3 billion stands at 122,383 – an increase by 4.4%. The number of newly registered members by the Fund modestly reduced from 7,454 in 2014 to 6,979 for this year 2015 which reflections the slow growth in the domestic economy.

The contribution inflows to the Fund stand at \$239.3 million against \$226.6 million last year. From the contribution receipts, the withdrawals by members had reached \$176.8 million from \$116.7 million in 2014. We expect the members withdrawal to increase in coming years due to the increasing number of members who have now reached their retirement age 50 years and can qualify to withdraw their savings. A prudent cash flow management is in place to facilitate this process and surplus funds to be reserved for investment purposes.

Improvement of customer services to members was the focus during year. This was met through new ID card for members. A number of service products were introduced to allow members improved access to their accounts through

General Manager's Report

internet, email and through their mobile phone. These new products should be completed and made available to members in the next financial year.

Regulatory & Governance

It is the statutory function of Central Bank of Solomon Islands to regulate and undertake annual onsite reviews of the Funds' governance, investment and other operational functions to ensure safety of members and the risk management strategies in place to mitigate any potential risks that may affect members' contribution savings. An onsite review was conducted on the investment portfolio assets and a number of finding were highlighted. These are being addressed as an opportunity for improvements.

Human Resources & Capacity

The Fund has grown in terms of its financial wealth and human resources. We have to ensure the critical functions of the Fund continue to be performed with at the highest level with diligence and competency. Thus, it is of great importance to have fit and proper persons with relevant knowledge and expertise be employed at the Fund. The Board and management are committed to ensure the capacity building process of the employees is an ongoing process to ensure employees are better equipped to meet future challenges. Undergraduate and diploma qualification programs been pursued by staff and this is capped at eight staff per year. This supplemented with appropriate short-term trainings either locally or overseas for upskilling their capacity and ability to undertake challenges in their fields of responsibilities.

Looking Forward

It is going to be another challenging year ahead. However, with the support and wisdom from the Board, we will strive with our commitment and teamwork to sustain the growth of the Fund through aggressive and prudent commercial investment to be pursued, achieve better returns delivered to members, protecting members' contribution savings and effective and efficient service delivery to our members. With the genuine support of all stakeholders of the Fund, we are confident we can meet this challenge to attain our

targets and continue to generate more financial wealth for the members.

Words of Acknowledgement

I would like to acknowledge the Board of Trustees for their leadership, direction and support to Management in ensuring the Fund's objectives and targets are achieved. On the same token, I would like to accord our appreciation to our valued contributing members for their unwavering support during the year. I also wish to thank the Employers, Solomon Islands Government, Central Bank of Solomon Islands and other stakeholders for their continuous support and cooperation.

Finally, my acknowledgement and thanks to the hardworking management team and staff of the Fund who have performed to the best of their ability and professionalism which enabled the Fund to achieve the satisfactory results for the year. I look forward to your usual commitment and teamwork support during financial year 2015-2016.



Tony Makabo
General Manager/CEO

Corporate Governance



As the Fund's main oversight body the Board of Trustees is committed to achieving a high standard of corporate governance and ethics. The policy direction is set by the Board and all matters pertinent to the Fund and are deliberated by the Board, including but not limited to: governance policies, investments and finance performance, and operations of the Fund and achievement of the planned objectives.

There are eight Board of Trustees appointed by Hon. Minister of Finance & Treasury as required by Solomon Islands National Provident Fund Act (Cap.109). The appointed Board of Trustees represent: employers, employees, crown and discretion of Hon. Minister of Finance & Treasury whom he sees is fit and proper with the experience and knowledge appropriate to the Fund's overall operations and intentions. See Table 1 below of Board Appointments.

During the reporting period there were changes made to the appointment of Board members. Mr. Baoro Laxton Koraua's term as Board member and Chairman expired on March 7 2015. His term in office was not extended. Mr. Peter Boyers' appointment as Deputy Chairman was extended for another term from April 14 2014 to April 14 2015. Mr. Boyers was appointed as the new Chairman on May 20 2015 for a 3year term. Gideon Zoleveke was appointed as Deputy Chairman to the Board on June 18 2015. Mr. Harry Kuma's term as Crown Representative in the Board ceased on June 21 2015.

As at June 30 2015, the Fund has six Board members with two vacant posts yet to be filled to meet the requirements of the SINPF Act.

Table 1 - Board Appointments

Names	Appointment	Period	Date Appointed	Date Expires	Representing
Baoro L. Koraua	Chairman	3 years	07/03/2012	07/03/2015	Employer
Peter Boyers	Deputy Chairman	1 year	14/04/2014	14/04/2015	Crown
	Chairman	3 years	20/05/2015	20/05/2018	Employer
Dr. Levi Hou	Board Member	3 years	09/09/2011	09/09/2014	Employees
	Board Member	3 years	09/09/2014	09/09/2017	Employees
Harry Kuma	Board Member	3 years	21/06/2014	21/06/2015	Crown
Dr. Alice Pollard	Board Member	3 years	29/03/2013	29/03/2016	Minister's Discretion
Gideon Zoleveke (Jnr)	Board Member		29/03/2013		Employer
	Board Member	3 years	18/07/2015	29/03/2016	
Jerry M. Tengemoana	Board Member	2 years	14/04/2014	14/04/2016	Minister's Discretion
Julie Gegeu Haro	Board Member	2 years	14/04/2014	14/04/2016	Employees

Board Meetings and Attendances

The approved schedule meetings for the Board stand at six a year however, the Board can convene extraordinary meetings to deliberate on important agenda items that require timely decisions. During the year, a total of 13 Board Meetings were held. The attendance of Board Members at Board Meetings is shown on *Table 3 SINPF Board Meeting & Attendance*.

Board Remuneration

The remunerations paid to Board members during their tenure in office are sitting allowances and monthly fees. The sitting allowances cover board meetings committee meetings; shareholder meetings in subsidiaries.

The financial entitlements of the Board members were approved by Hon. Minister of Finance under the SINPF Act. There were no changes to the approved Board allowances during the year. The allowances accorded to the Board members are as shown below.

Table - 2 Board Remuneration

Appointment	Sitting Allowances	Monthly Base Emolument
Chairman	\$2,000 per sitting	\$2,500
Deputy Chairman	\$1,700 per sitting	\$2,300
Members	\$1,500 per sitting	\$2,000

The monthly entitlements of Board are shown in *Table 2 Board Remuneration*. The payment of allowances received are shown in *Table 3 Board Meetings & Attendance* while a summary of total allowances paid out during the financial year can be seen in *Table 4 Summary of Board Allowances*.

Table 3 - Board Meetings & Attendance

Name of Board Member	Meetings Attended/Total Held	Sitting Base Emolument	Total Sitting Allowances 2015	Monthly Allowances 2014	Monthly Allowances
Baoro L Koraua (Chairman)	10/10*	\$ 2,000	\$ 20,000	\$ 22,000	\$20,564.55
Peter Boyers (Deputy Chairman & Chairman)	5/10*	\$1,500	\$7,500		
	3/4	\$2,000	\$6,000	\$13,700	\$25,121.66
Gideon Zoleveke (Jnr) (Member & Deputy Chairman)	11/14	\$1,500	\$15,000		
	3/14	\$1,700	\$5,100	\$16,860	\$24,122.73
Dr. Alice Pollard	10/14	\$1,500	\$13,500	\$12,690	\$24,000.00
Harry Kuma	8/11*	\$1,500	\$12,000	\$9,180	\$23,363.65
Dr. Levi Hou	6/14	\$1,500	\$9,000	\$15,690	\$24,000.00
Jerry M. Tengemoana	13/14	\$1,500	\$10,000	\$6,000	\$24,000.00
Julie Gegeu Haro	13/14	\$1,500	\$10,000	\$6,000	\$24,000.00

Board Sub-Committees

The Board continues to maintain the following five Board subcommittees as a filtering governance process to ensure a timely and effective decision making by the Board and reporting is realized. However, during the year the Board abolished the Legal Affairs Committee following the recommendation of the SINPF Risk Management and Risk Assessment report. Legal issues raised can now be dealt with by Investment Credit sub-committee. As a result, the Board maintains the following Board subcommittees:

- Audit & Risk Management Committee
- Staff Welfare Committee
- Investment and Credit
- Information Technology
- Board Task Force Committee

A Board's Task Force was established by the Board to specifically deals with corporate governance issues not covered by other sub committees' terms of references such as the recruitment and selection

of contracted managers under the "fit and proper person policy" of the Fund and undertaken review of work performance by Contracted Managers. The subcommittee membership, attendance and remuneration are shown in table 5 Sub committee membership, attendance and remuneration

Table 4 - Summary of Board Allowances

Event	Total Paid
Sitting Allowances	\$ 108,100
Monthly Stipends	\$189,172
Investments & Credit Committee	\$ 36,400
Staff Welfare Committee	\$ 1,500
Audit & Risk Management Committee	\$ 13,500
IT Committee	\$ 5,500
Task Force Committee	\$ 18,000
Annual General Meeting (Proxies)	\$ 7,700

Table 5 - Committee Membership, Attendance & Remuneration

Committees	Members	Meetings Attended /Total Held	Monthly Allowances
Investments & Credit Committee (ICC)	Gideon Zoleveke	8/9	\$13,900
	Harry Kuma	5/9	\$7,500
	Julie G. Haro	7/9	\$10,500
	Jerry Tengemoana	3/9	\$4,500
Welfare Committee	Dr Alice Pollard	1/1	\$1,500
Information Technology Committee	Baoro Laxton Koraua	2/2	\$4,000
	Harry Kuma	1/2	\$1,500
Audit & Risk Management Committee	Baoro Laxton Koraua	3/3	\$6,000
	Harry Kuma	1/3	\$1,500
	Gideon Zoleveke	3/3	\$4,500
	Dr. Levi Hou	1/3	\$1,500
Board Task Force Committee	Gideon Zoleveke	4/4	\$6,000
	Dr. Alice Pollard	4/4	\$6,000
	Dr. Levi Hou	4/4	\$6,000

Independent Advice

The Board members are entitled to seek independent advice from external persons with relevant knowledge and expertise to effectively carry out their prudential duties as Board members, provided that they seek approval of the Chairman.

Membership in Subsidiary Companies

The Board maintains its directorship representation on the Boards of the subsidiary companies which the Fund has 10% or more in shareholding. The commercial entities which the Board has shareholding less than 10% shareholding do not require representation on those Boards.

The Board's representations in subsidiary companies can be seen in table 6 Appointment in subsidiary companies. The appointments are made in compliance to the Fund's "fit and proper person policy":

Table 6 - Board Appointments In Subsidiary Companies

Subsidiary Company	SINPF Shareholding (%)	SINPF Representation
Solomon Telekom Co. Ltd	64.7	Harry Kuma (Chairman) Baoro Laxton Koraua Tony Makabo
South Pacific Oil Limited	100	Peter Boyers (Chairman) Harry Kuma Tony Makabo Mike Wate Dr. Levi Hou Gideon Zoleveke
Solomon Islands Home Finance Ltd	100	Julie Gegeu Haro (Chairman) Tony Makabo Dr. Alice Pollard Ishmael Kako Jennifer Lakoa
Heritage Park Hotel	10	Dr. Alice Pollard
Sasape International Shipyard Ltd	25	Mike Wate Dr. Levi Hou
Soltai Fishing & Processing Ltd	29	Mike Wate Peter Boyers
Solomons Oceanic Cable Company Ltd	51	Austin Holmes (Chairman) Mike Wate Jerry M. Tengemoana

Risk Management

The Board is always mindful of any potential risks that may have negative impact on the Fund's overall operations. The Board is committed to identifying any potential risks that may emerge and thus has put in place a number of measures to effectively manage such risks.

In mitigating such risks, a number of policies have been reviewed and adopted by the Board. These are: tender, procurement and financial delegation authority limits. The investment risk policy is being reviewed.

Onsite Review & Audit

The Fund is a Financial Institution hence regulated under the Financial Institution Act. In this regard, an onsite reviews is carried out every year by the Central Bank of Solomon Islands to ensure the Fund remains effective and efficient and that members funds are preserved, protected and grow. During the year, an onsite review was taken and recommendations were addressed.

Besides the prudential onsite review, the external auditors and internal auditors have undertaken their regular statutory tasks to ensure appropriate compliance, testing, coverage in terms policies and statutory requirements are effectively realized.

Management Team

Corporate Governance

Managers are appointed by the Board through a rigorous selection process. Management is responsible for the policy formulation and implementation of policies approved by the Board. They are responsible for pursuing appropriate strategies to achieve planned target deliverables in timely manner. Moreover, they are responsible for identifying and evaluating risks and implement practical strategic actions to mitigate such potential risks.

Table 7 - Management Team

Name	Appointment	Effective Date	Date to lapse	Period
Tony Makabo	General Manager & CEO	19 August 2013	19 August 2016	3 years
Mike Wate	Deputy General Manager	19 August 2014	19 August 2017	3 years
Ruth Alepio	Board Secretary	01 Sept 2014	01 September 2017	3 years
Aluta Kakadi	Manager Operations	17 Nov 2013	17 Nov 2016	3 years
Alfred Sare	Manager HR & CS	25 March 2013	23 March 2016	3 years
Suzanne Orudiana	Manager IT	24 Oct 2013	24 October 2016	3 years
Areau Hivu	Manager Internal Audit	19 August 2014	19 August 2017	3 years
Ishmael Kako	Manager Legal Services	17 Oct. 2014	17 October 2017	3 years
Rose Karoa	Manager Finance	06 April 2015	06 April 2018	3 years
Jennifer Lakoa	Manager Investments	30 June 2014	30 June 2017	3 years

The employment contract of Mrs. Rose Wate Karoa, Manager Finance expired in April 2015, and was renewed by the Board for another term of 3 years of contract with the Board after stringent performance assessment were done by Board Taskforce Committee.

Trainings/Seminar/Conferences

- General Manager, Mr. Tony Makabo attended the CEOs of Pension Funds/National Provident Funds Inaugural Meeting held in New Caledonia 25th August 2014 on “concept of establishing an MSG Development and Investment Fund emanating from MSG Eminent Persons Group Report and its rationale”.
- Manager Human Resources & Corporate Services, Mr. Alfred Sare attended training on “Diploma of Risk Management and Business Continuity”, Sydney, Australia – 8th to 11th September 2014.
- Board Secretary, Ruth Alepio and Board Members - Jerry Tengemoana and Julie Gegeu Haro attended Training on “Governance Duties and Compliance” held in Port Moresby PNG – September 2014.
- “Equity Valuation Training Program” held in Manila Philippines was attended by Manager Investments – Ms. Jennifer Lakoa, Manager Finance – Ms. Rose Karoa and Manager Internal Audit – Ms. Areau Hivu – December 2014.
- Manager Investments – Ms. Jennifer Lakoa and Investment Analyst, Mr. Albert Afu attended training on “Portfolio Construction Masterclass – Transforming Institutional Investment Program”, Suva Fiji 2014.
- Former Chairman Baoro L. Koraua attended Australia & Solomon Islands Joint Chamber of Commerce Forum in Brisbane, Australia in August 2014 on behalf of the Fund as a guest speaker.

Investments



Global Economy

Global growth in 2015 was projected at 3.3%, marginally lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging markets and developing economies.

First quarter of 2015 activities affected mostly in North America resulted in a slight downward revision to global growth. Despite all the conditions, underlying drivers for a gradual acceleration in economic activity in advanced economies were firm—easy financial conditions, more neutral fiscal policy in the Euro area, lower fuel prices, and improving confidence with labor market conditions remain conducive.

For emerging market economies, the continued growth slowdown reflected several factors, including lower commodity prices and tighter external financial conditions, structural bottlenecks, rebalancing in China, and economic distress related to geopolitical factors.

The distribution of risks to global economic activity is still tilted to the downside. Near-term risks include increased financial market volatility and disruptive asset price shifts, while lower potential output growth remains an important medium-term risk in both advanced and emerging market economies. Lower commodity prices also pose risks to the outlook in low-income developing economies after many years of strong growth

Solomon Islands Economy

Solomon Islands economy in the second half of the 2015 financial year was still slowly recovering from impacts of the April 2014 flash floods, that affected the heavy retail trading hub of Honiara and rural Guadalcanal. Subsequent flood aftermaths led to the closure of the only operable mine in Solomon Islands, Gold Ridge Mining Limited with multiple downside effects on other supporting industries and the economy.

Economic growth for 2014 was 2.0%, revised from 3.7% after the first half floods affecting the retail and mining sector. The fall in global fuel price had positive impacts on the energy and domestic economy that should flow on to lower production and transportation costs.

Direct foreign investment into Solomon Islands was flat during the period.

Despite the cessation of gold production in the Solomon Islands, total exports rose by 5.3% in the first half of 2015 over the same period in 2014, largely reflecting higher exports of logs and our traditional primary commodities.

With the entry of Pan Oceanic Bank into the financial banking sector, the level of credit substantially increased mostly noted to personal consumption. Indicating that new cash injection from new credit went to the retail sector spending and less to new capital investments.

Lending rates though softened due to increased liquidity and increased competition for the fewer investment opportunities, interest rate spreads remained wide as interest rates on savings continue to fall and remained depressed.

Inflation soared as demand for local goods peaked and returned to single digit number of 6% at the end of June 2015.

For the major trading currencies namely Australia Dollar (AUD), British Pound Sterling (GBP), Euro (EUR) and PNG Kina (PGK) all depreciated against the Solomon Islands Dollar except for the United States Dollar (USD). Official Foreign Reserves was robust with a 12 months import cover.

Against this backdrop the Fund's results are achieved within the mixed performance of the global economy, the economies where our offshore investments are domiciled, and our local economy. The upsides and the downside risks to the global and our economy are our opportunities and threats to our performance.

Investment Performance Highlights

The Fund's investment portfolio closed at \$2,771,536,139 from \$2,603,523,195 in the previous year despite the challenging economic conditions, a growth of just under 6%. Gross return on the total investments declined to 5.3% of \$147.6 million down from the previous year's rate of return of 6.19%.

Savings interest rates hit a bottom low as domestic financial liquidity volumes continued to surge higher, the Fund's cash held locally in the banking sector reached more than \$636 million, yet earned a very low income.

Domestic Unlisted Equity portfolio earnings through dividends from major subsidiaries South Pacific Oil Limited (SPOL) and Solomon Telekom Company Limited (STCL) accounted for a significant value of income for the fund of \$80 million. Going forward these cash cows are highly concentrated and pose significant risks to the Fund for future income and asset value. The Fund in its management of risks is strategizing to ensure continuation of strong income stream whilst de-risking our significant exposures to these two domestic equities.

Property Investment portfolio performance continued as a major earner to the Fund's total income, though lower compared to previous year.

Offshore investment performances were mixed with positive income gains recorded only from our USA denominated assets, whilst our other Australian, Euro, PGK, and pound sterling denominated assets recording unrealized losses.

Return on Investment

In 2015 financial year the fund's performance was largely driven by all its investment portfolios specifically with large contributions from equity and property portfolios. In comparison to same period last year the total return on investment as at June 30 2015 was at \$147.6 million, representing a decline of 13%.

Net return on investment fell due to lower fair value gains on the Fund's equity and property portfolios' annual 2015 revaluations.

Other contributing factors include the continued low savings interest rate in the domestic money market due to soft demand for our funds, revaluation losses when our AUD, GBP, PGK, and EUR denominated investment assets are restated back to SBD due to weakening of these currencies against the SBD.

Bonds and loans returns were consistent with their reducing outstanding loan balances. Government Securities

Investments

interest income declined with the reducing balances as they are being paid down by the government and falling Treasury bill rates on the weekly Central Bank of Solomon Islands (CBSI) administered short dated government papers.

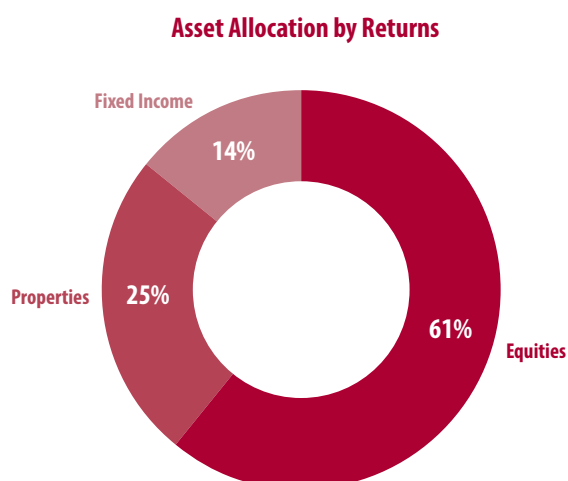
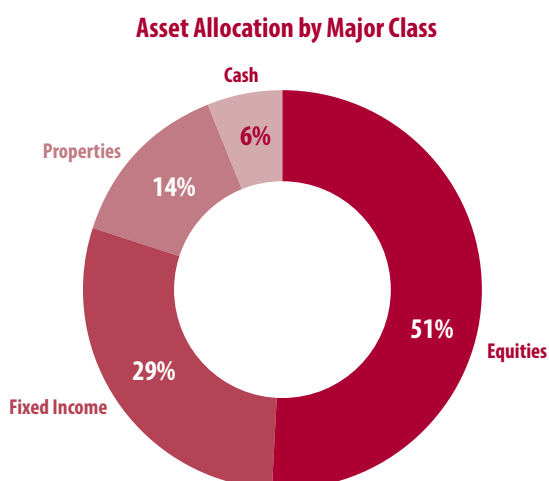
Table 8: Investment Returns For The Year Ended June 30 2015

Composition of Income	Total Portfolio(billion)		Total Income(million)		Gross Return(%)	
	2015	2014	2015	2014	2015	2014
INTEREST						
Onshore Cash & FTD	636,505,371	599,115,978	4,541,298	2,951,735	0.7%	0.5%
Offshore Cash & FTD	135,726,477	159,831,407	2,410,072	3,306,478*	1.8%	2.1%
Government Securities	49,834,266	66,500,105	1,044,645	1,488,970	2.1%	2.2%
Domestic Loans & Bonds	145,869,543	131,488,514	11,258,203	8,729,285*	7.7%	6.6%
RENTALS						
Property Investment	285,313,044	259,279,772	26,363,458	25,442,333*	9.2%	9.8%
DIVIDENDS						
Onshore Equities	1,184,025,871	1,070,444,170	80,489,312	74,481,656*	6.8%	7.0%
Offshore Equities	117,919,800	118,908,351	6,195,005	5,335,070	5.3%	4.5%
Fair Value Gains	-	-	15,313,768	39,349,936*	-	-
TOTAL INCOME	2,555,194,370	2,405,568,297	147,615,761	161,085,464*	5.8%	6.7%

*Note: Refer to Annual Report 2014 reference column; there has been a restatement of the indicated balances to reflect true audited amounts & also note the change in reporting style to reflect investment results only.

Asset Allocation & Returns

Asset allocation of the fund comprises of four major asset classes with Fixed Income (29%), Equities (51%), Properties (14%) and remaining 6% in cash as depicted below.



Fixed Income Portfolio

Of the 29% in Fixed Income Portfolio, the net returns earned from all fixed income accounted for 14% of total returns for the period. Within the Fixed Income Investment Portfolio, it includes interest bearing deposits (domestic & abroad), domestic loans and bonds and SIG Securities.

Onshore Cash & Interest Bearing Deposits

Liquidity has soared high directly impacting on domestic pricing to a certain extent. Compared to 2014, total return edged higher at 0.7% to a tune of \$4.5 million, the increase comes from increase in deposits with financial institutions paying higher interest rates and increase in the value of deposits with the older and more mature financial institutions.

Offshore Cash & Interest Bearing Deposit

AUD, Kina, GBP & EUR deposits cash interest income were positive but these gains were reversed due to the depreciating exchange rates of these currencies against the SBD. EUR deposit rates went into negative and forcing appropriate recalls into non-interest earning deposits awaiting future opportunities. US Dollar on the other hand, showed very impressive performance with huge gains in interest and unrealized revaluation gains resulting from the improving US Economy, and the strengthening of the USD. Outlook for US deposits looks promising in the next financial year as the US Monetary Authorities are expected to raise its official cash rates.

Government Securities

Interest earned from Solomon Islands Government securities earned \$1.04 million as compared to the previous year of \$1.4 million. The stock of government debts in our books has continued to decline as they are paid down consistently with occasional advance payments by the government. The declining rates on the weekly T Bills also contribute to the reduction in this asset's income for the year.

Loans & Bonds

Interests earned on total domestic loans & bonds surpassed previous year to \$11.3 million from \$8.7



Investments

million. Commercial loans interest earnings was the highest at 68%, bonds 29%, followed by Members Housing loan 3% and staff & management loans at 1%.

During the financial year, a new debt was issued to Soltuna Limited in a form of quasi-equity bond of \$20.4 million levied at an interest rate of 5% pa.

The joint loan with the Westpac Banking Corporation (WBC) to the Solomon Islands Electricity Authority (SIEA) is yet to be drawn by the recipient SIEA. The \$45 million priced at 6% pa portion of the joint loan by the SINPF is expected to be disbursed in the next financial year.

Property Investments Portfolio

The Fund's domestic property portfolio was revalued and recorded at \$313 million with \$266.5 million listed as commercial investment properties, with the balance used for Fund's normal operation.

For the year, rental income was recorded at \$26.4 million from its investment properties covering the Hibiscus Apartment, the Tasahe Executive Residential Properties and commercial leased offices including Anthony Saru Building, NPF Plaza, Komifera Pako Building, Town Ground Property and Sasape International Slipway Limited Base 2 Properties at Tulagi Central Province.

In addition to the rental income, the annual valuation of all commercial properties recorded a revaluation surplus gain of \$11.4 million.

Throughout the year, the Fund refurbished several of its properties. These refurbishments and repairs and maintenance are important for the commercial value of these properties that can only be maintained through the quality, pricing, and demand of our product offering.

Ongoing projects from the previous financial year include the NPF Food Court which required additional finishing tasks and is expected to be operational by 2016. The 12 residential houses at Tulagi were completed with SISL employees occupying them in May 2015.

Equity Portfolio

The total equity portfolio gross returns in 2015 amounted to \$100.2 million compared to \$90.5 million in 2014. Domestic equity returns captured a fair value gain of \$13.5 million together with dividends recorded for the year. Offshore equities recorded unrealized losses on foreign exchange translations for Vanguard US S&P 500 Stock Index Fund at \$87,000, Vanguard Euro \$1.7 million, UBS with \$3.5 million except for BSP Share gaining \$4.8 million.

In terms of capital movements, UBS recorded an unrealized loss of \$2 million whilst all others recorded positive unrealized gains on capital value as prices improved for these assets.

Domestic Equities

Table 9 - Domestic Equities

Company Name	Invest. Portfolio 2015	Invest. Portfolio 2014	2015 Invest. Return	2014 Invest. Return	2015 Invest. Rate of Return	2014 Invest. Rate of Return
Solomon Telekom Co Ltd	442,798,306	442,798,306	39,042,448	28,569,195	8.82%	6.45%
South Pacific Oil Limited	639,999,996	625,500,000	40,821,863	43,772,461	6.38%	7.00%
Solomon Home Finance Ltd	24,430,000	13,866,987	200,000	100,000	0.82%	0.72%

Investments

Company Name	Invest. Portfolio 2015	Invest. Portfolio 2014	2015 Invest. Return	2014 Invest. Return	2015 Invest. Rate of Return	2014 Invest. Rate of Return
Heritage Park Hotel Ltd	25,800,000	11,955,105	625,000	2,040,000	2.42%	17.06%
Soltuna Limited	18,296,371	18,296,371	-	-	-	-
Sasape International Shipyard Ltd	25,000	25,000	-	-	-	-
Solomon Oceanic Cable Company	32,776,199	32,776,199	-	-	-	-
Dividend Receivable	115,303,986	138,697,154	-	-	-	-
Total	1,299,429,858	1,283,915,122	80,689,311	74,481,656	6%	6%

Unlisted domestic equities' returns were mainly sustained by dividends from equity exposures SPOL, STCL, Heritage Park Hotel Limited (HPHL) and SI Home Finance Limited (SIHFL). 2015 total cash dividend declared amounted to more than \$80.6 million, surpassing the amount of \$74.4 million declared in 2014.

Apart from dividend, under IRFS 13: Exception to Consolidation, the 2015 annual revaluation of our domestic shares conducted by an external local accounting firm added a positive \$13.5 million gains to the overall return of this asset class. Fair value gains were recorded for SIHFL, HPHL & SPOL, whilst the balance of the domestic equity values, were maintained at their previous year's levels.

Offshore Equities

Table 10 - Offshore Equities

Offshore Listed Equities	2015 Investment Portfolio	2014 Investment Portfolio	2015 Dividends	2015 Unrealised/ Realised Capital Gains(Losses)	2015 Unrealised/ Realised Foreign Exchange Gain(Losses)	2015 Total Investment Return	2014 Investment Return	2015 Rate of Return
Bank South Pacific	54,475,014	58,868,525	5,602,664	(4,393,511)	4,832,954	6,042,108	(13,648)	11%
Vanguard U.S. 500 Stock Index Fund	36,311,201	31,577,774	-	4,733,427	(87,953)	4,645,474	4,564,133	13%
Vanguard European Stock Index Fund	10,288,862	10,245,703	-	43,158.67	(1,790,745)	1,747,586	1,404,084	-17%
UBS Australia Share Fund	16,844,722	18,216,349	592,341	1,371,627	(3,566,260)	4,345,546	2,211,186	-26%
Total	117,919,800	118,908,351	6,195,005	(988,552)	(612,005)	4,594,449	8,165,755	4%

The Funds offshore equity portfolio rate of return was 4% down from 6.9% the previous year. BSP shares accounted for 11% of the return despite recorded an unrealized capital loss of \$4.8m as its share price fell during the year. UBS Australia Share Fund recorded loss an unrealised capital loss of \$1.3 due to falling unit price. Vanguard USA continue to perform strongly whilst Vanguard Europe performance continue its downward slide. Vanguard Index Funds are capital growth funds where all its profits are reinvested.

Investments

Gross Investment Portfolio

The Fund's gross investment portfolio edged higher by 6% during the 2015 financial year from \$2.60 billion to \$2.77 billion, resulting in an increased growth in monetary value of \$168 million. This growth was underpinned by fair value gains from the annual revaluations of our domestic equities and investment properties, net receipts from contributions, cash inflow from current investment maturities, and purchase of new investment assets.

Volatility in the international stock and currency markets made a negative impact on most of our offshore investments in AUD, GBP, Euro, and PGK eroding the values of these affected offshore investment assets during the year.

Only our exposures in USD recorded positive growth as a result of the strengthening of the USD against the SBD and the increase in the USD price of our units we held in Vanguard U.S. 500 Stock Index Fund.

As in previous periods, domestic equities remain around the same level accounting for 47% of the portfolio followed by domestic cash for 23%, property investment 14%, loans & bonds 5%, and offshore equities 4%.

Table 11- Gross Investment Portfolio

Major Asset Classes	2015	%	2014	%	YoY Change
Onshore Cash & FTD	636,505,371	23%	599,109,850	23%	6%
Offshore Cash & FTD	135,726,477	5%	161,409,522	6%	-19%
Government Securities	49,834,266	2%	66,500,105	3%	-33%
Domestic Loans & Bonds	145,869,543	5%	131,488,514	5%	10%
Property Investment	386,302,986	14%	318,716,396	12%	17%
Onshore Equities	1,299,329,857	47%	1,207,390,457	46%	7%
Offshore Equities	117,967,641	4%	118,908,351	5%	-1%
TOTAL	2,771,536,139	100%	2,603,523,195	100%	6%

Investment by Risk Category for Markets

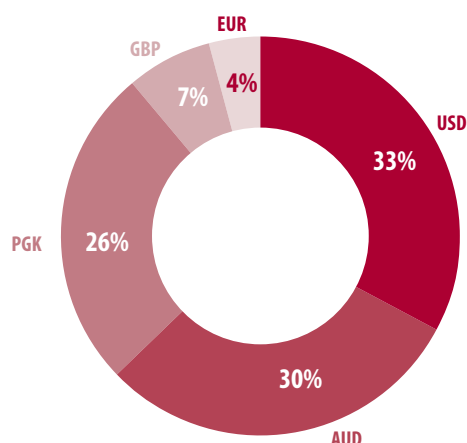
Table 12 - Investment By Risk Categories For Market

Major Risk Category	2015(Billions)	2014 (Billions)	2015(%)	2014(%)	Benchmark Guideline(%)	Deviation(%)
Low risk low return	686,339,636	827,019,477	25%	32%	37%	-12%
Medium risk medium return	667,899,005	450,204,910	24%	17%	28%	-4%
High risk high return	1,417,297,498	1,326,298,808	51%	51%	35%	16%
Total	2,771,536,139	2,603,523,195	100%	100%		

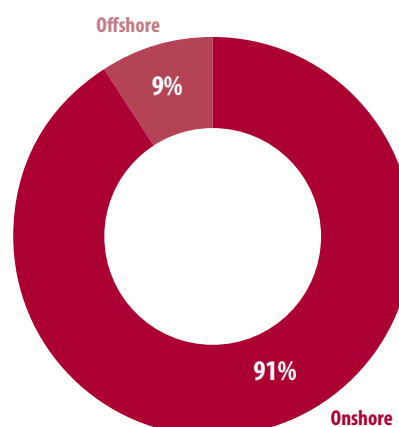
By risk category, high risk category accounts for more than 50% of entire Fund's portfolio against the benchmark of 35% largely coming from high concentration exposures in South Pacific Oil Limited and Solomon Telekom Company Ltd. To narrow the deviation partial share sale down discussion of these 2 equities are being pursued with potential interested investors.

Medium risk assets accounted for 24%, an increase from the 2014 level of 17% due to issuance of a Soltuna

Composition by Gross Portfolio by Market Currency



Gross Portfolio by Markets



Convertible Bond, additional disbursements for the Tulagi 12 residential houses, Tavanipupu Island Resort and Food Court refurbishments, and fair value gains of our investment properties.

Gross Investment Portfolio by Market Sectoral Diversification & Currency

By market, 91% of the Fund's investments by value are held in Solomon Islands and 9% in offshore markets in the various currency exposures AUD, USD, Euro, GBP and PGK. Against the 70:30 onshore and offshore asset allocation guideline, is a gap of 21% over and under the target limits. Some of the drivers of this wide gap are the 2013 revaluation of our domestic unlisted equities, increased new domestic investments, declining SBD value of some of our offshore assets, and our inability to remit additional funds offshore.

Rebalancing to maintain as per benchmark is a long process and will involve the approval of the Central Bank of Solomon Islands if additional funds are to be remitted offshore for new investments.

New Investments

During the year, there was no major investment but continuing monitoring and management of existing investments as part of its risk assessment. Other investments approved by the SINPF Board are pending final process through the Ministry of Finance.

- Issuance to Soltuna Limited of a \$20,486,900 quasi-equity convertible bond levied at 5% interest rate for a term of 5 years.
- Treasury Bills participation at a average monthly volume of \$18 million for 90 days & 182 days
- Continuation of the new food court refurbishments
- Acquisition from SI Home Finance of a commercial land worth \$4m to be developed into commercial building complex for office offerings.
- Signing of syndicate Facility Agreement with Solomon Power (formerly SIEA) for \$45m loan for draw down in the 2016 financial year.
- Rollover of existing term deposits with commercial banks amounting to more than \$450m and further placement of term deposits with Pan Oceanic Bank and Credit Corporation.
- Refurbishment and development of Tavanipupu Island Resort, now owned by the Fund.

Property Development & Management



The property department was merged under the Investment Department during the year. This reform like any change comes with its own challenges that management are working through to resolve to achieve the objective and expected benefits of the reform. The implementation of the agreed reform was based on previous recommendations made from a 2008 property study and the Fund's Risk Assessment performed in 2013.

Under the auspices of the Investment department framework, the property department will manage both the Fund's investment properties and our own use properties, and the development new property investment concepts and proposals.

The Fund currently has commercial lands earmarked for new property investments in Honiara and in Tulagi, Central Islands Province.

Current investment properties are the Anthony Saru Building, Komi Fera Pako Building, NPF Plaza including the Food Court, Former SMI building, Tulagi Base 2 Slipway and all workshops and 12 residential houses, executive apartments, and the 5 Tasahe executive houses

Highlights within the property investment function for 2015 includes:

- Completion of 12 new houses at Tulagi for commercial investment leased to SISL
- Food Court completion and awaiting final inspections for approval to occupy and trade after meeting all essential building standards
- Review of all service providers with strict compliance to other regulatory affiliations
- Maintenance of handful of staff houses at the Fund's residential compound at Tasahe
- Ongoing commercial properties repairs and maintenance
- Acquisition of prime vacant land for future commercial complex
- In-house valuation of all commercial properties by internal capacity
- Introduction and installation of new electricity monitoring devices for all commercial buildings
- Engagement of external consultant APRO Consultants Pty Ltd to review of property function and design of new database frontier yet to launch

Operations



The Operations Department is focused on effective and efficient delivery of services to Employers and Members, and ensures that Employers meet their statutory obligations to the Fund.

The principal objectives of services to employees and employers including:

- Quality customer services.
- Manage and maintain accurate Members and Employer Database.
- Timely registration of Members & Employers.
- Timely processing and payment of Members Benefits.
- Timely verification and management of employers and members' accounts in the PFMS.
- Timely collection of members' contributions from employers.
- Educational awareness and enforcement to comply with the SINPF Act (Cap 109).
- Encourage employer and employee membership with the Fund.

During the 2015 financial year, the Fund experienced a 51% increase in requests for withdrawal payment. During the year the fund experienced a 4% increase in the accumulated registered members, active employers grew 16%, total accumulated members' Funds increase by 11% and annual contribution receipts grew by 6% as compared to the previous year figures. The growth is a positive indicator that the Fund is well managed as depicted in *Table 13 - Key NPF Statistics*.

Table 13 - Key NPF Statistics

Indicators/Years	2013	2014	2015
Total Accumulated Registered Members	166,000	173,286	180,265
Total Active Registered Employers	2,327	2,176	2,534
Total Accumulated Member Funds (\$ billion)	1.7	2.05	2.3
Total Annual Contribution Receipts (\$ million)	206.6	226	239
Annual Interest paid to members (\$ million)	246	236.6	187.5
Annual Interest rate credited to members (%)	20	15	10
Annual Member withdrawals (\$ million)	87	117	176.78

Customer Services

The Customer Services Centre served a total of 46,784 customers during the year compared to 62,348 in 2014 - a reduction by 25%. The services to members include: contribution withdrawals, registration, checking on contribution account balance and members' pledges with commercial banks for funds borrowed. The reduction is attributed to the creation of sectional group enquiry email addresses for queries, thus reducing the number of desk enquiries.

Member Registration

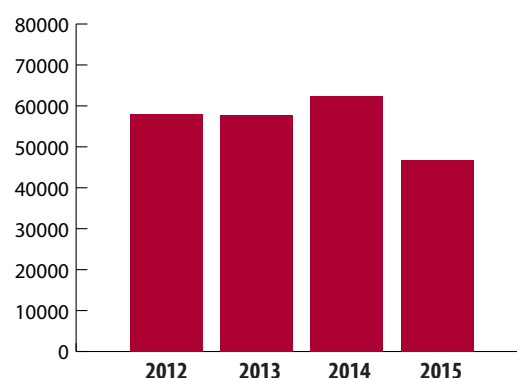
In 2015 the Fund registered 6,979 new members compared to 7,454 in 2014 - a slight reduction by 6.5 %. The reduction is attributed to the closure of Gold Ridge Mining and the gradual scale-down of logging operations.

From gender perspective, the male membership continues to dominate at 65% while female represents 35% of members. This represents the gender imbalance in the formal sector employment in Solomon Islands. Refer to Figure 6 Membership By Gender for new member registration by financial years and gender.

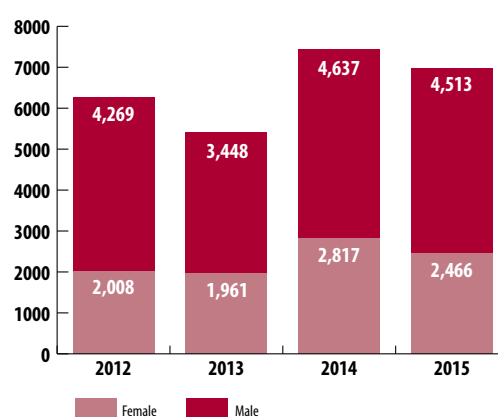
Accumulated Member Registration

Total registered members with the Fund at end of the year reached 180,265 compared to 173,286 in 2014 - an increase of 4%. Total members with credit balances were 122,383 - an increase of 4.6% as compared to 116,946 in the previous year. Active members decreased by 0.6% as compared with 53,584 in previous year and the non-active members increase by 10% compared to 63,362 in year 2014.

Enquiries by Year



Member Registration by Year & Gender



Operations

It is envisaged that membership may increase into the future if the potential investment opportunities in the domestic economy are fully maximized.

Members' Contribution

The average value of members' contribution for the last three years has grown by 21% notwithstanding the members' withdrawal of savings during the three years. Table 14 confirms this average growth. Another attribute to the annual growth of members' contributions was the investment return to members annually compared to earnings on saving deposits offered by banks and inflation rate. This total contribution savings with the Fund reached \$2.3 billion compared to \$2.05 billion last year, a 13% increase. Refer to the *Table 14 Membership With Contribution Savings*.

Table 14 - Membership With Contribution Savings

Financial Year	Member With Credit Balance	Growth in %	Total members Balance (\$ Billion)	Growth %
2013	110,952	9%	\$1,650.00	28%
2014	116,946	5%	\$2,020.90	22%
2015	122,334	5%	\$2,287.76	13%

Membership by Age, Gender and Value

There is not much change to the demography of the Fund's membership compared to the last financial year. With accumulated membership, male membership holds 70% and female 30% contribution. On monetary value, male holds 70% and female 30%. With age groups, the youth age (14 to 40) holds 42%, early retirement age group (41-49) 41% and retirement age (50 +) 17% of the total contribution value as depicted in *Table 15 Membership Contribution Savings By Age*.



Table 15 - Membership Contribution Savings By Age

Age Group	Male Count	Female Count	Total Count	Male Value (\$m)	Female Value (\$m)	Total Value (\$m)
14 - 20	604	514	1,118	0.979	0.654	1.63
21-25	4,078	3,150	7,228	12.74	10.066	22.81
26-30	10,282	6,249	16,531	87.835	62.400	150.24
31-35	16,062	7,157	23,219	212.657	126.526	339.18
36-40	13,208	6,216	19,424	303.500	144.614	448.11
41-45	13,008	5,586	18,594	377.397	162.223	539.62
46-49	8,141	3,092	11,233	285.357	102.053	387.41
50-60 plus	19,840	5,196	25,036	314.423	84.32	398.74
Total	85,223	37,160	122,383	\$1,594.89	692.86	\$ 2,287.74

Employers Operating Status

In 2015, the total active employers reached 2,534 an increase of 16% compared to last year. Employers with this following operating status: slow active, inactive and dormant i.e. those who stopped paying NPF contributions for more than twelve months but failed to report to the Fund on the actual operating status. The Fund is continually making follow ups to ensure the employers confirm their accurate operating status.

Employers by Province

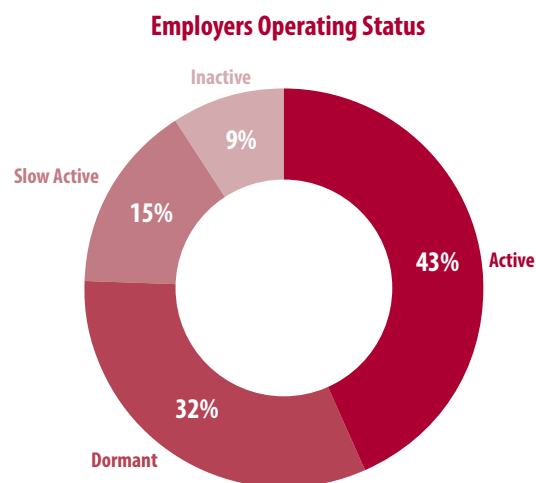
On the distribution of registered employers across Solomon Islands, the Honiara City Council hosts 60% of the total employers, Malaita Province 15%, Western Province 10%, Guadalcanal 7% and other provinces 8%. Concentration of employment is in Honiara City Council.

Employers by Industries

In terms of employer registration by industry sectors, other services accounted for 22.9%, administrative and support Services 22.9 %, wholesale & retail for 21.7%, construction 6.6%, logging 5.4%, accommodation and food services 4.7%, agriculture & fishing 3.8%, transport 3.7%, media and telecommunication 2.9%, manufacturing 1.8%, rental and real estate Services 1.7%, mining 0.9%, electricity, gas and water 0.6%, finance and insurance 0.4%,.

Members' Unidentified Contributions

Members' Unidentified Contributions are contributions paid by employers but the Fund is unable to identify the recipient due to lack of information. The funds are kept in the suspense account until the recipient can be identified.



Operations

In 2015 new unidentified contributions posted to the suspense account reached \$10.9 million. For the same period a \$9.1 million of unidentified contributions were identified and credited to members. The balance of unidentified contributions account stood at \$9.4 million.

Underpaid and Unallocated Contributions

Unallocated and underpaid contribution is still a challenge. Unallocated contributions are contribution receipts by the Fund but with no contribution schedules containing names of employees submitted by the employers. The Fund with smart compliance strategies has retrieved good number of contribution schedules from the employers. As a result, the accumulated excess contribution has been reduced to \$10.47 million compared to \$15.9 million last year, a reduction of 34%. A major reduction is due to commitment and cooperation been exercised by both the Fund and employers.

At the end of the financial year, the total outstanding contribution underpaid, stood at \$999,000 as compared to \$2.0 million last year, a reduction of 50%. The Fund continues to employ effective compliance strategies to ensure employers exercise their statutory obligation to pay contribution outstanding.

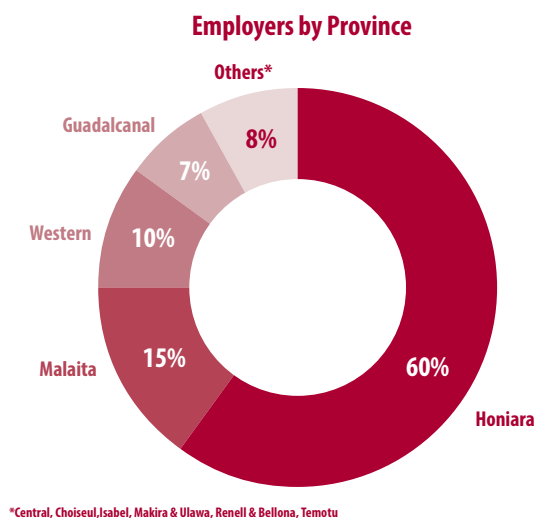


Table 16 - Suspense Postings & Allocations Comparative Analysis By Financial Year

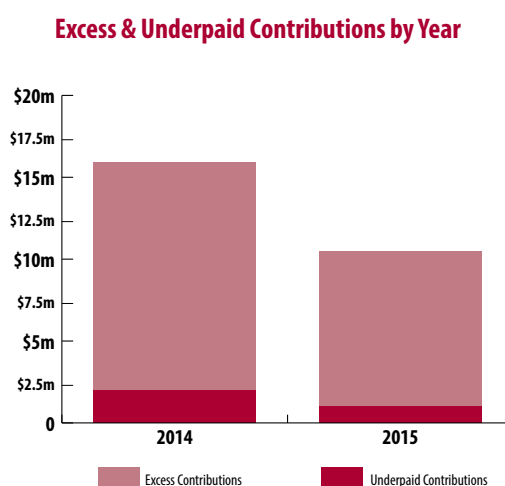
Fin Year	Suspense Value (\$m)	Allocated Suspense Value (\$m)	Suspense Count	Allocate Count
2015	8.169	9.106	37,238	37,782
2014	8.869	7.892	35,164	28,725
2013	8.426	6.192	35,580	23,410

Contribution withdrawals

There are six grounds under the Solomon Islands National Provident Fund Act to withdraw contribution savings from the Fund. These are:

1. Normal retirement at the age 50 years and more
2. Death- nominees claim the deceased member's contribution savings;
3. Medical- physically and mentally incapacitated from further employment;
4. Migration – migrating from Solomon Islands permanently;
5. Redundancy- member made redundant or unfairly dismissed from employment;
6. Early retirement- member is 40 years plus and retired from employment.

During the year, \$176.2 million was paid to



members compared to \$116.7 million in the same period last year. This trend is expected to continue in coming years, as more members reach retirement age and are eligible to withdraw their contribution savings.

The Honorable Minister of Finance has the power under Section 50 of the NPF Act to exempt a member not qualified to withdraw his/her contribution savings under the prescribed withdrawal grounds. In 2015, 50 members were granted exemption to withdraw their contribution savings. The withdrawn value amount was \$3.9 million – an increase of 47% compared to \$2.64 million last year.

The normal retirement category continues to be the main withdrawal ground accounting for 60% of the total withdrawal value. This is followed by redundancy withdrawal ground mainly due to the closure of Gold Ridge Mining in Guadalcanal Province. *Table 17 Withdrawal Grounds & Value* outlines different withdrawal categories.

Table 17 - Withdrawal Grounds & Value

Withdrawal Category	No of Withdrawals	%	Withdrawal Value (\$'000,000)	Withdrawal Interest (\$'000,000)	SDB Payment (\$'000,000)	Total Withdrawal Payment (\$'000,000)	%
Retirement	1872	41	100.56	5.070		105.63	60
Death	187	4	6.19	0.439	1.717	8.35	5
Medical	142	3	6.02	0.332		6.35	4
Migration	210	5	14.90	0.717		15.63	9
Redundancy	1056	23	12.20	0.765		12.97	7
Early Retirement	14	0	1.47	0.068		1.55	1
Lender Claim	919	20	19.04	2.423		21.47	12
Unclaimed Deposit	94	2	0.37			0.37	0
Exemption	50	1	3.72	0.171		3.90	2
	4544	100	164.47	9.985	1.717	176.21	100

Members Unclaimed Value

Member with a credit account balance but no longer contributing to their account for 10 years after turning 50 year, will have their credit balance transferred to the Unclaimed Deposit Account (UDA). This credit account will remain in the UDA for five years and if not claimed within the five years, then the credit account will be transferred to General Reserves in the Balance Sheet of the Fund. Prior to doing so, a public notice will be issued through the media to provide opportunity for members or beneficiaries to submit claims for withdrawal. During the financial year a public notice was issued and 94 members or beneficiaries submitted withdrawal claims valued approximately \$368,600.

The Fund has 2,679 members in the Unclaimed Deposit Account with the total balance of about \$3.9 million. The value has increased by 20% compared to 2014 figure. The Fund is committed to ensure the concerned members or beneficiaries to withdraw contribution savings under the UDA prior to transfer to the General Reserve. This is an ongoing challenge to the Fund.

Members' 2/3rd Contribution Pledge

The SINPF Act provides opportunity where a member can use up to 2/3rd of total contribution balance for personal credit facility with a registered financial institution. In 2015 8,166 members pledged 2/3rd of their contribution savings during the year. This represented \$369.9 million of contribution savings against personal credit facilities with the commercial banks and other financial institutions – this was a 28% increase from the previous. Figures for past year can be seen in the *Table 18 Members Pledges To Financial Institutions*.

Table 18- Members Pledges To Financial Institutions

Lender	Count	%	Pledge Value (\$m)	%	Loan Value (\$m)	%
BSP	4180	51	162.10	44	102.03	39
POB	2086	26	116.54	32	87.25	33
WBC	1020	12	57.24	15	49.34	19
ANZ	804	10	32.09	9	19.58	8
SINPF	65	1	1.45	0	1.74	1
CCorp	6	0	0.44	0	0.76	0
DBSI	0	0	-	0	-	0
HFC	5	0	0.01	0	0.01	0
Total	8166	100	369.87	100	260.70	100



Accumulated Members 2/3rd Contribution by Lenders

Bank South Pacific holds 55% of the total accumulated value mortgaged through the 2/3rd contribution pledges to secure credit funds from the prescribed financial institutions. Followed by POB 22%, WBC 16% and ANZ Bank which holds 6% and this is shown in the table below.

Table 19 - Members Pledges Per Financial Institutions

Lenders	Count	%	Pledge Amount	%	Loan Amount	%
BSP	8,658	64%	296.735	55%	202.237	47%
POB	2,088	16%	116.610	22%	87.296	20%
WBC	1,615	12%	86.403	16%	102.369	24%
ANZ	917	7%	34.688	6%	26.430	6%
SINPF	162	1%	3.379	1%	5.959	1%
CCORP	15	0%	0.945	0%	2.095	0%
DBSI	2	0%	0.033	0%	0.080	0%
HFC	6	0%	0.056	0%	0.075	0%
Total	13,463	100%	538.847	100%	426.541	100%

Lenders Claims

The law also permits the lender to claim the member's 2/3rd contribution pledge if member defaulted in meeting loan commitments for six months or more. During the year, a total of 919 members were in default of loan repayments. As a result, the lenders claimed 2/3rd contribution pledges. A total of \$21.45 million paid to the lenders - an increase of 217% compared to \$6.75 million last year.

Table 20 - Lenders Claims

Lender	ANZ	BSP	HF	NPF	POB	WBC	Total
Claim Value	\$271 k	\$5.3 m	\$31 k	\$52 k	\$13.2 m	\$2.6 m	\$21.45 m
Count	7	297	2	3	495	115	919

Special Death Benefits (SDB)

The Fund deducts \$5.00 from each member's account annually to meet special death benefit (SDB) as required by law. This pool of fund is purposely to pay the beneficiaries of the deceased members. The maximum sum payable approved is \$10,000. At end of financial year, a total of \$1,717,800.00 was paid to the beneficiaries of the deceased members - an increase of 3.5% compared to \$1,659,880.00 in 2014.

Table 21 - Special Death Benefit

Financial Year	2013	2014	2015
Opening Balance	2.263	2.105	1.04
Add SDB Transfer	0.551	0.596	0.652
Less SDB Payment	0.709	1.659	1.717
Closing Balance	2.105	1.042	-0.023

Contribution Receipts & Withdrawals Analysis: 2010-2015

Total contributions received reached \$239.3 million, an increase of 5.6 % from the previous year's receipt of \$226.7 million. The increase of contribution inflows has been experienced for the past five years. This trend was made on the back of new membership and positive commitments from employers. On the other hand, the net contribution (contribution receipts less withdrawals) for 2015 is decreased by 43% due to 51% increase in contribution withdrawals. The net contribution value is put aside to pursue viable investments to deliver returns and positive growth to members' savings. Refer to *Table 22 - Contribution & Withdrawal Analysis*.

Table 22 - Contribution & Withdrawal Analysis

Contributions/Years	2010	2011	2012	2013	2014	2015
Contribution Receipts (\$m)	139	162	191	206	226.6	239.27
Contribution Withdrawals (\$m)	68	79	71	87	117	176.78
Net Contributions (\$m)	71	83	120	119	109.6	62.49

Inspectors Collections

During 2015 inspectors collected contribution receipts valued at \$10.4 million, a decrease of 8% while surcharge receipt of \$1.8 million increased by 36% compared to 2014 financial year level. The Inspectors collected 4% of the total aggregated contribution receipts and 55% of the aggregated surcharge receipts.

Provincial Branch Offices

The Fund maintains two branch offices at Auki & Gizo.

In 2015 the total contribution funds received through the Provincial Offices was \$4.12 million compared to \$5.46 million last year. Pertaining to withdrawals, the branches facilitated \$4.95 million. On surcharge fees, an amount of \$104,000 was receipted compared to \$319,000 in 2014. The total withdrawals stood at \$4.95 million compared to \$4.97 million in the previous year.

Table 23 - Provincial Offices Operations

Key Services Areas	NPF Auki Office	NPF Gizo Office	2015 FY	2014 FY	Movements %
Employer Registrations	71	35	106	62	71%
Member Registration	337	268	605	370	64%
Nominee Registration	176	55	231	175	32%
Member Pledges	469	137	596	606	-2%
Contributions Receipts	1.27m	2.85m	4.12m	5.46m	-25%
Surcharge Receipts	20k	84k	104k	319k	-67%
Other Receipts	19k	27k	46k	60k	-23%
Withdrawal Payments	2.46m	2.46m	4.95m	4.97m	0%
General Payments	349k	615k	964k	629k	53%

Customer Services at NPF Auki & Gizo

SINPF Provincial Offices have direct communication and daily interactions with employers and members. The Fund through the Provincial Offices to attempt to deliver high standard of quality services to members on: registrations, withdrawals, pledges, and general enquiries.



Employers Seminars

During 2015, the Fund conducted employers' seminars in Western, Malaita, Guadalcanal and Renbell Provinces. The seminars are aimed to remind employers of their statutory obligation under NPF Act and Regulations. The inspectors conducted one to one consultations with the employers' representatives on issues affecting the employers.



Members Seminars

Member Seminars were conducted to create awareness and educate members on member registrations, member's unidentified contributions, member nominees, overall members' benefits. Beside member seminars, officers conducted one to one person consultation with NPF members on issues affecting the members. Pictures on seminars conducted Malaita and Western provinces.



School Talks

School talks were carried out to provide awareness talks to students about the Fund and its operations. This exercise is important for students when entering formal or informal employment after completing their education. During the year five high school talks were conducted with 520 students, including staff in attendance.



Information Communication Technology



The following Information Technology activities and services were introduced during the year as part of the Fund's drive to improve its IT services to staff and members.

New ID cards

New photo ID cards were issued during the year for members. The new plastic cards are produced at the Customer Service Center and contain membership details for easy reference.

Upgrading Server and Data Center

Servers upgraded to Windows 2012 server with a virtual environment setup along with upgrading of the email system to MS Exchange 2013.

A primary disaster recovery site was set up to automate data backup to the disaster recovery site. The disaster recovery server environment will also be setup next year for expansion of disaster recovery sites in the future.

Business Integration Plan Project

The Business Integration Plan Project will enable the Fund to acquire an Integrated Financial Management System in the next two years. During the year phase one of the project, "Mapping of the Funds' current Business Processes" was completed. The project will continue through the 2016 Financial Year.

Redesign Website and Intranet

The Fund has redesigned its website, new content for the site has been updated and is now online. An intranet site for staff in NPF offices has also been set up to improve inhouse communications and access to electronic forms.

Moving to Paperless

IPads, have been acquired for Board Members and Managers as a means of improving communication, with all documents for meetings to be supplied electronically. This will reduce the number of printouts, usage of ink and maintenance of copier machines.

Member Services

A number of product services are now made available to the members, including;

Introduction of an android mobile app, where members can setup on their Smartphone to access their current balance & current financial year transactions.

SMS alerts – Members will get an SMS alert on their phones each time their monthly contributions are posted to their accounts.

Email alert – Members automatically receive an email alert after the crediting of monthly contributions and the year's interest to member accounts.

Members are encouraged to subscribe to the new product services by updating mobile numbers and email contacts with the Fund.

Operations and Support

The Funds' IT system are being supported and maintained to ensure that all software and systems used are updated and licensed copies acquired and held. The systems which are referred to include: all information management systems, antivirus, network monitoring system, data backup plans, help desk related support, wireless bridge support, administration, procurements and housekeeping tasks.

Capacity Building and Expansion

The capacity building to acquire relevant IT knowledge and experiences is an ongoing process for IT personnel to meet new challenges with competency. A number of short IT programs overseas were attended including Business Systems Analysis and Masters' Program in Information System.

A new post, Web Admin and Graphics Designer was also created during the year. This is to allow more concentration on daily administration of the new SINPF Website & Intranet as well as improving the Funds' required forms, promotional pamphlets and other graphic design jobs.

Human Resources & Corporate Services



Human Resources & Corporate Services (HRCS) works closely with Management and staff to support the overall objectives of the Fund and processes that support the strategic business aims.

HRCS has passed one year of operations after its organizational reform and restructure aimed to better served the Fund and improve service delivery.

Human Resources Capacity Building

Capacity building is an ongoing commitment of the Fund to ensure staff are well equipped to face new challenges. In terms of long-term training, four staff graduated with diplomas in business finance and business administration at the Solomon Islands National University in 2014. Four new staff were enrolled to undertake diploma studies at SINU during the year.

Two staff members continued their studies at international universities during the financial year. One staff member is doing a bachelor's degree in commerce at the University of South of Pacific in Fiji while another staff is undertaking studies at East West Centre University, Hilo, Hawaii for a Bachelor's degree in journalism.

Fund staff participated in the following short term training activities during the year:

- Nursing Officer, Martha Tuasulia attended one week "Pacific Society for Reproductive Health" Conference in Suva, Fiji.
- Corporate Services Officer, Mrs Glennis Leve and Investment Department Secretary Mrs Agnes Nee attended a two days "Professional Skills for Executive Assistants" facilitated by AIMS, Brisbane, Australia.
- Manager Human Resources & Corporate Services, Mr Alfred Sare attended a four day training on "Risk Management and Business Continuity" facilitated by Paladin Risk Management Training Academy in Sydney, Australia.
- Manager Investment, Mrs Jennifer Lakoa and the Senior Investment Analyst Mr Albert Afu attended three days i3 "Portfolio Construction Masterclass" in Suva, Fiji.
- Systems Analyst, Ms Anna Maob attended five day training on "Business System Analysis".

Human Resources & Corporate Services

- Senior Human Resources Officer Mrs Temaleti Gholomo attended a four day Train the “Trainer’s course” facilitated by AIMS in Brisbane, Australia.
- The following short term trainings were carried out in-country during the year:
- Nursing Officer, Mrs Martha Tuasulia attended two day training on the “HCC Reporting system” and also attended “Non-Communicable Diseases” facilitated by Solomon Islands Parenthood Association.
- Senior Archives Officer, Mrs Anna Vota attended a two day “Masterclass in Practical Organizational Change Management with Creativity and Innovation” facilitated by Bill Synnot & Associates.
- Assistant Manager Human Resources & Corporate Services, Mrs Maevalyn Sitai and Assistant Internal Auditor, Mr Milton Babavari attended four day training on “Procurement (focused on Auditing)” facilitated by the World Bank.
- Senior Human Resources Officer, Mrs Temaleti Gholomo and the Assistant Internal Auditor, Mr Milton Babavari attended three days of training on “Practical Interviewing & Statement Taking” facilitated by RSIP/MOF.
- Thirty-one Senior Staff and Assistant Managers attended trainings on the “new KPI format and the revised Performance Appraisal reporting system”, facilitated by Manager, Human Resources and Corporate Services.

Human Resources

A total of 116 employees, including Managers, are employed by the Board. During the year one staff retired and four new staff recruited during the year. The Fund emphasised on succession planning in its five years rolling. In this respect, all departments have developed and instituted succession planning to be implemented as and when such event occurs.

Staff Health and Wellbeing

In the year, the staff health nurse attended to and treated 2,297 sick cases. Patients include: staff, spouses and children. The nurse also organized health talks to Managers and staff to understand the potential health risks and how to keep healthy and fit. The Sports and Health Committee organised sporting activities to keep staff healthy and fit. A gym with weights and equipment is now available to staff at the SMI grounds.

Residential Housing

The Fund provides standard quality accommodation to its staff that do not have residential houses of their own. Fifty-four houses are currently occupied by staff and Managers and these are located in Honiara, Gizo and Auki. Forty-nine houses currently occupied by staff while five houses are on commercial rent.

Archives

The archiving of the old documents/records is progressing well. The ultimate goal is to preserve and maintain the Fund’s historical records through electronic mode for easy access and retrieval. Furthermore, it is important that physical spaces within the Fund’s office building are utilised rather than occupied with files and documents.

Among other tasks done, there were 158 files been closed and destroyed during the year. Three hundred files retrieved, 4300 files indexed and renamed, and 5600 files scanned and digitally stored for future references. The digitization exercise is continuous to ensure all file documents are stored electronically for future references.

Legal Services



The Legal Services Department of the Fund is responsible for the provision of general legal advice and opinions to the Board and Management through the in-house and external counsels on issues ranging from prosecution (both civil and criminal), civil litigation, drafting and vetting of commercial agreements and corporate conveyance. The external legal counsel are engaged only on specific legal tasks involving complex legal commercial matters which requires overseas counsels at times with support from the in-house counsels and in instances where there is a conflict of interest on the part of the Legal Department team.

Loan Defaults

The Fund has an investment policy which provides for the prosecution of any borrowers who have intentionally defaulted on their loans and whose arrears are accrued for more than three months. The in-house Legal Counsels have been tasked with the duty to prosecute in order for the Board to comply with that investment policy statement.

During the period, 39 default housing loan cases being prosecuted. All prosecution of defaulted loan borrowers was handled by the in-house counsels. The outcomes of the default legal cases were; eight cases have been fully extinguished by members while eight are in arrears again and 23 member clients have cleared their arrears and are now current with loan balances. There are 14 member clients who have existing court orders against them but were given time to pursue their loan repayment in installments. Out of the 14 court orders, two clients fully settled their loans, seven are now current with loan repayments schedules and five are in arrears again with installment payments.

Employer defaulters

In 2015 there were 89 cases prosecuted including cases from previous years. Twenty-seven cases were fully settled by employers, 22 cases are now with enforcement orders with the Sheriff of the High Court; 32 cases are pending before the court at different stages and seven are under installment's repayments. There is one case differed due to difficulties in locating the registered office of the employer since the company has ceased operations.

Services by external counsel

During this period, the Fund has outsourced the High Court case of Gegeu & others –v- SINPF Board civil case 157 of 2013 to legal firm Primo Afeau Legal Services. The reason for the outsourcing to external Counsel was due to a conflict of interest on the part of the Legal team of SINPF Board.

Provision of legal advice

In-house legal counsels provided legal advice to the Board and Management on general statutory operational aspects of the Fund from time to time, in particular the Operations, Finance and Investment Departments which directly handles contribution receipts and withdrawals and investment matters. This is to safeguard the policy development guidelines and implementation processes to be consistent with the SINPF Act and other statutes.

The Legal department is also responsible for soliciting employers to comply with the requirements of the SINPF Act. The In-house Legal Counsels also involved in vetting, drafting and negotiating contracts between the Board and service providers in the investment projects implemented and property projects to be implemented.

Proceedings against the Board

During the financial year, there were two cases filed against the Board. The First is JAP Holdings Ltd –v- SINPF Board Civil case 52 of 2007. A 2007 matter but the Board was just recently joined as a party during the last financial period. The matters relate to JAP as a former tenant of the Fund. The matter is still at the pleading stages. The second matter against the Board is Gegeu & others –v- SINPF Board civil case 157 of 2013. This case involves the former tenants of the leaf huts that were demolished following the recommendation of the Honiara City Council Environmental Health Division report on the condition of the leaf huts. The matter is now awaiting ruling of the High Court after Counsel for the Defendant (SINPF Board) filed an application for the High Court to determine the legal authority of the Health Division Report on 22nd May 2015. If the application were to succeed then that would be the end of the matter for both parties.

Internal Audit



As part of the Fund's internal control machinery, Internal Audit has a duty to ensure members, employers and other stakeholders' confidence is sustained in the Fund's operations. This duty is transpired through deliverance of the department's functions illustrated in figure 10 below.

Compliance and performance reviews

Under the compliance and performance reviews, audits were carried out in these areas:

(i) Risk management, internal controls and governance.

- Spot-checks - cashiering and banking;
- Commercial loans;
- Members benefits payments;
- Fixed assets including leased properties to Solomon International Shipyard Ltd (SISL);
- Commercial property rentals (leases, bonds, electricity);
- Repairs and Maintenance costs;
- Bills & creditors.

(ii) Tours to the Fund's Provincial Branches i.e. Auki, Malaita and Gizo, Western Province.

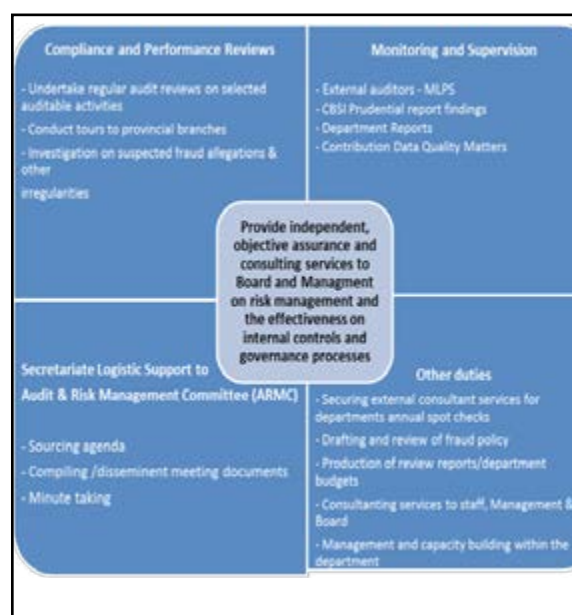


Figure 10 - Internal Audit Functions

Monitoring and supervision

Under the monitoring and supervision functions, Internal Audit is responsible for following up on recommendations made by external and internal reviewers i.e. auditors, regulator and the internal audit staff itself. Updates and developments are reported to the Board via Audit and Risk Management Committee (ARMC), the reporting functional line for the department. As at end of the year, the progress on each matter is summarized below.

(i) External auditors Management Letter Points

Review of MLPs highlighted through the external audit exercise confirmed a 31% implementation rate (of the 16 issues raised, four had been addressed and one partly addressed). The rest are on-going matters which depend on external factors such as the SINPF Act review and feedbacks from external parties.

(i) CBSI Prudential onsite issues

In discharging its prudential obligation under the Financial Institution Act (FIA), a review was carried out in November 2014 and 2015 which was focussed on IT systems, investments portfolios and operational matters. From review exercise, the regulator raised a number of issues for Management and Board of Trustees attention.

From the issues raised, the internal auditors noted in its regular reviews that most of the issues are on-going as they are part of the Fund's day to day operations and transactions, hence, require regular Management monitoring going forward.

(i) Department Reports and Contributions Data Quality Matters

The department's monitoring role also covers internal Management reports such as results from compliance and performance reviews, branch tours and contributions data quality matters. As noted at year end, most of the concerns highlighted have been rectified leaving a few to be addressed in the upcoming months.

Secretariat logistic support to Audit and Risk Management Committee (ARMC)

As depicted in Figure 1 above, one of the delegated responsibilities is to provide secretariat logistic support to one of the Board of Trustees Subcommittees (ARMC). The ARMC convened three meetings in the year. Matters that require the Committee deliberations and recommendations for Board's approval were also discussed. These include; the draft fraud policy was eventually approved by the Board; discussions on a review report on the Board subcommittee's terms of references and the external independent spot check on Operations Department's functions.

SOLOMON ISLANDS NATIONAL PROVIDENT FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Contents

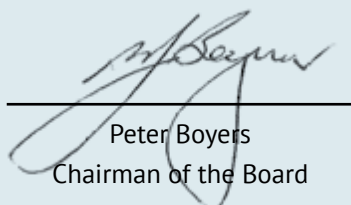
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Statement By Directors


In accordance with a resolution of the Board of Directors of Solomon Islands National Provident Fund ("the Fund"), we state that-

In the opinion of the Directors:

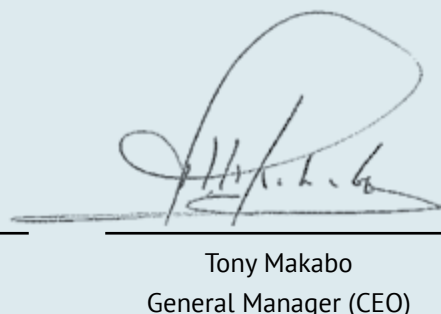
- (a) the accompanying statement of changes in net assets is drawn up so as to give a true and fair view of the changes in net assets available to pay benefits of the Fund for the year ended 30 June 2015;
- (b) the accompanying statement of net assets is drawn up so as to give a true and fair view of the state of the affairs of the Fund at 30 June 2015;
- (c) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Fund for the year ended 30 June 2015;
- (d) at the date of this statement there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they fall due;
- (e) all related party transactions have been recorded and adequately disclosed in the attached financial statements; and
- (f) the financial statements have been prepared in accordance with the provisions of the Solomon Islands National Provident Fund Act 1973 (as amended), International Financial Reporting Standards and other applicable standards in the Solomon Islands.



Peter Boyers
Chairman of the Board



Gideon Zoloveke Jnr
Deputy Chairman



Tony Makabo
General Manager (CEO)

Dated at HONIARA this 28TH day of SEPTEMBER 2015.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLOMON ISLANDS NATIONAL PROVIDENT FUND

Report on the Financial Statements

I have audited the accompanying financial statements of Solomon Islands National Provident Fund, which comprise the statement of net assets as at 30 June 2015, the statement of changes in net assets and the statement of cash flows for the year then ended, and notes 1 to 20, comprising a summary of significant accounting policies and other explanatory information.

Directors' and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Solomon Islands National Provident Fund Act 1973, as amended, and other applicable laws and regulations. This responsibility includes implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

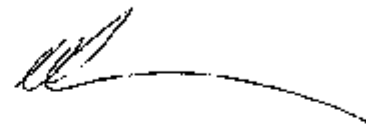
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the net assets of Solomon Islands National Provident Fund as at 30 June 2015 and of its changes in net assets and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Office of the Auditor-General
Honiara, Solomon Islands



Robert Cohen
Acting Auditor-General
30 September 2015

STATEMENT OF NET ASSETS AS AT 30 JUNE 2015

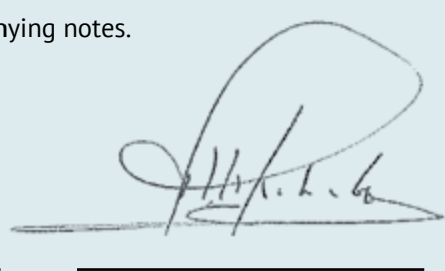
	Note	June 2015 \$	June 2014 \$
ASSETS			
Investments			
<i>Financial investments</i>			
Commercial papers and treasury bills	6 (a) (i)	660,886,353	677,467,236
Held-to-maturity investments	6 (b) (ii)	35,460,207	46,906,955
Loans and advances	6 (b) (i)	84,888,312	90,961,793
Equity investments	6 (a) (ii)	1,301,945,671	1,179,444,410
<i>Non-financial investments</i>			
Investment properties	6 (a) (iii)	285,313,044	259,279,772
		<u>2,368,493,587</u>	<u>2,254,060,166</u>
OTHER ASSETS			
Cash and cash equivalents	13	203,820,090	144,126,514
Receivables	5	143,014,807	151,034,586
Property, plant and equipment	7	69,083,777	72,700,705
		<u>415,918,674</u>	<u>367,861,805</u>
TOTAL ASSETS		<u>2,784,412,261</u>	<u>2,621,921,971</u>
LIABILITIES			
Accounts payable		1,760,304	1,453,450
Other payables and accruals	8 (a)	7,523,983	8,098,179
Employee entitlements	8 (b)	11,689,014	11,393,071
TOTAL LIABILITIES (excluding net assets available to pay benefits)		<u>20,973,301</u>	<u>20,944,700</u>
NET ASSETS AVAILABLE TO PAY BENEFITS	4 (a)	<u>2,763,438,960</u>	<u>2,600,977,271</u>
<i>Represented by:</i>			
Allocated to members account	4 (b)	2,307,445,301	2,048,124,001
Special death benefit	4 (c)	(21,727)	1,043,539
Nominees trust account	4 (d)	5,461,546	4,520,557
Reserves	4 (e)	450,553,840	547,289,174
TOTAL MEMBERS FUNDS		<u>2,763,438,960</u>	<u>2,600,977,271</u>

The above statement should be read in conjunction with the accompanying notes.

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


 Peter Boyers
 Chairman of the Board


 Gideon Zoloveke Jr.
 Deputy Chairman


 Tony Makabo
 General Manager (CEO)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Note	June 2015 \$	June 2014 \$
INVESTMENT INCOME			
Interest income	3 (a)	19,254,218	16,476,468
Dividends	3 (b)	86,684,317	79,816,727
Net gain from changes in fair values	3 (c)	15,313,768	39,349,936
Rental income	3 (d)	26,363,458	25,442,333
		<u>147,615,761</u>	<u>161,085,464</u>
LESS: DIRECT INVESTMENT EXPENSES	3 (f)	<u>(16,937,873)</u>	<u>(20,670,304)</u>
NET RETURN ON INVESTMENTS		130,677,888	140,415,160
Other income	3 (e)	6,958,591	21,056,798
		<u>137,636,479</u>	<u>161,471,958</u>
CONTRIBUTION REVENUE			
Unallocated contributions		10,307,709	10,841,862
Members' contribution		<u>228,967,125</u>	<u>215,718,655</u>
		<u>239,274,834</u>	<u>226,560,517</u>
		<u>376,911,313</u>	<u>388,032,475</u>
Benefits paid	3 (h)	(176,783,220)	(116,743,668)
OPERATING EXPENSES			
Operating expenses	3 (g)	(37,666,404)	(43,715,039)
CHANGE IN NET ASSETS FOR THE YEAR	4 (f)	<u>162,461,689</u>	<u>227,573,768</u>
Net assets available to pay benefits at the beginning of the financial year		2,600,977,271	2,373,403,503
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR	4(a)	<u>2,763,438,960</u>	<u>2,600,977,271</u>

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	June 2015 \$	June 2014 \$
Cash flows from operating activities			
Contributions from members and employers		239,274,834	226,560,517
Interest received		17,721,013	15,971,191
Dividends received		96,304,314	50,268,902
Rentals received		26,951,207	31,970,607
Other income received		6,931,557	20,188,610
Benefits paid to members		(176,783,220)	(116,743,668)
Cash paid to suppliers and employees		(55,550,824)	(46,064,606)
Net cash flows from operating activities		154,848,881	182,151,553
Cash flows from investing activities			
Net acquisition of commercial papers, treasury bills and held-to-maturity investments		18,355,651	(97,263,281)
Loans and advances repaid		6,105,871	7,230,822
Acquisition of shares		(100,565,779)	(4,092,427)
Proceeds from sale of property plant and equipment		19,742	168,100
Acquisition of investment properties		(33,893)	-
Acquisition of property plant and equipment		(19,036,897)	(17,310,538)
Net cash used in investing activities		(95,155,305)	(111,267,324)
Net increase in cash and cash equivalents		59,693,576	70,884,229
Cash and cash equivalents at the beginning of the year		144,126,514	73,242,285
Cash and cash equivalents at the end of the year	13	203,820,090	144,126,514

The above statement should be read in conjunction with the accompanying notes

1. GENERAL INFORMATION

Solomon Islands National Provident Fund (“the Fund”) is a defined contribution fund domiciled in the Solomon Islands. The Fund was established in 1973 under The Solomon Islands National Provident Fund Act (Cap 109) as superannuation or saving scheme for all employees who are members of the Fund. The Fund is primarily involved in providing retirement benefits to its members. An employee is any person who has attained the age of 14 years of age, is not exempt and is employed under a contract of service, irrespective of the period for which a person is employed. The address of the Fund’s registered office is at NPF Building, Mendana Avenue, Honiara, Solomon Islands.

Employers are required to make a contribution of 12.5% of gross wages for each employee and may recover 5% of the contribution from the employee.

Benefits from the Fund are paid to members on attaining the age of 50 years, on death, when members are physically or mentally incapacitated from further employment, permanent emigration or attaining the age of 40 years and have permanently retired. In general the benefits paid to members is equal to their accumulated contributions plus interest allocated to them annually by the Board (refer note 2 below). In addition, on death of a member, the beneficiary of the deceased member’s estate is paid a special death benefit.

The balance of the contribution account at any time represents the total liability to members for all benefits (other than special death benefit) in the event that all members become eligible for payment of benefit on that date.

The Fund is under the control of a Board. The Board’s function and powers are those of a trustee. The Fund is subjected to all the provisions of the Financial Institutions Act 1998.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Fund are based on International Financial Reporting Standards (IFRS) and the Solomon Islands National Provident Fund Act (CAP 109). The accounting policies have been consistently applied over the reporting and comparative years.

Management has concluded that the activities of the Fund meet the definition of an investment entity in accordance with the requirements of the amendments to IFRS 10, 12 and IAS 27. Consequently the Fund measures substantially all of its investments at fair value through the statement of changes in net assets and therefore does not consolidate its subsidiaries.

The financial statements are expressed in Solomon Islands dollars, rounded to the nearest dollar. All accounts of the Fund are maintained on an accrual account basis except the Contributions Account.

Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Fund’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 6 (a) – Valuations of equity securities

Note 6 (a) – Valuations of investment properties

Note 6 (b) – Recoverability of loans and receivables; and

Note 7 – Estimated useful lives of items of property plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Comparatives

All necessary information has been classified and presented to achieve consistency in disclosure with current financial year amounts and other disclosures.

(c) Members contribution account

The Contribution Account has been maintained on a cash basis where only monthly returns (Form A's) that are actually paid are posted to the account.

(d) Special death benefit (SDB)

As provided for in the Act, an amount is deducted from each member's account at 30 June each year in respect of special death benefit to be paid to the beneficiaries of the member after the death of a member. The maximum sum payable for SDB for the year ended 30 June 2015 for each member was \$10,000.

(e) Nominee trust account

As provided for in the Act, if any person under eighteen years (other than the widow) is nominated to receive the amount (or any portion of it) under section 32 then the amount or that portion shall remain in the Fund and shall be deemed to be held by the Board in trust for that person until he/she reaches the age of eighteen years.

(f) Interest on members account

Interest credited to a member's account at 30 June in any year is calculated on the balance standing to the credit of the member's account as at 1 July in the previous year. In accordance with Section 8 of the Solomon Islands National Provident Fund Act, the minimum interest rate to be credited to the members account is 2.5%. Under Section 10 of the Act, if the Fund is at any time unable to pay any sum which is required under the Act, then the sum required shall be advanced by the Government, the Fund shall, as soon as is practicable, repay to the Government the sum advanced.

(g) Property, plant and equipment

Land and buildings are measured at valuation. The valuation is determined on the basis of independent valuations prepared by external valuation experts, based on current market prices (as appropriate). The valuations are recognized in the financial statements of the Fund, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their valuations.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, is transferred directly to general reserve. Plant and equipment, leasehold improvements and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

The following annual rates are used in the calculation of depreciation for the current and prior years:

Buildings	5%
Machinery equipment and motor vehicles	25%
Furniture, fittings, computer and other equipment	25%

(h) Impairment of non-financial assets

Assets that have an indefinite life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recovery amount. The estimated recoverable amount is the higher of an asset's 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 (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Income Tax

By virtue of Section 36 of the Solomon Islands National Provident Fund Act 1973 as amended, the Fund is exempted from income tax.

(j) Allowance for Doubtful Loans and Investments

An allowance for bad and doubtful debts is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivable. Objective evidence that receivables are impaired includes observable data that come to the attention of the Fund about the following events:

- Significant financial difficulty of the debtor.
- A breach of contract, such as default or delinquency in payments.
- It becoming probable that the debtor will enter bankruptcy or other financial reorganization.

The amount of allowance is the difference between the carrying amount and the recoverable amount of the asset being the present value of expected cash flows discounted at the market rate of interest for similar borrowers. The amount of the provision is recognized as a charge in the statement of changes in net assets.

(k) Financial Instruments

Financial instruments comprise investments in equity, government and other fixed interest securities, term deposits, trade and other receivables, cash and cash equivalents, loans and advances, and trade and other payables. The Fund classifies their financial assets in the following categories: at fair value through profit or loss, held-to-maturity investments and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (continued)

A financial instrument is recognised if the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Fund commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Fund's obligations specified in the contract expire or are discharged or cancelled.

(i) Financial assets at fair value through profit or loss

This category has financial assets that are designated at fair value through profit or loss at inception. This largely consists of equity investments which are managed and evaluated on a fair value basis in accordance with the Fund's investment strategy and reported by key management personnel on that basis. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of changes in net assets.

The fair values of quoted equity investments are generally based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making use of market inputs and relying as little as possible on entity-specific inputs.

(ii) Held to maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold maturity, other than those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Term deposits, government securities and other fixed interest securities are included under this category.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and advances, cash and cash equivalents and trade receivables are included under this category.

(l) Impairment of financial assets carried at amortised cost

The Fund assesses at each financial year end whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Delinquency in contractual receipts of principal or interest, cash flow difficulties experienced by the borrower, breach of loan covenants or conditions, initiation of bankruptcy proceedings, deterioration of the borrower's competitive position, and deterioration in the value of collateral are all factors which the Fund considers in determining whether there is objective evidence of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets carried at amortised cost (continued)

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it then includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of changes in net assets.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of changes in net assets.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

(n) Foreign currency

Functional presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in Solomon Islands Dollars, which is the Fund's functional and presentation currency.

Transactions and balances

Foreign exchange transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets.

(o) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Other payables and accruals

Other payable and accruals are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

(q) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the changes in net assets in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in the changes in net assets in the period in which the property is derecognised.

(r) Revenue Recognition

(i) Interest Income

Interest income is earned from investments such as government securities, other fixed securities, loans and advances and term deposits. Interest income is recognised using the effective interest method.

(ii) Property rentals

Property rental income from operating leases is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Dividend Income

Dividend income from investments is recognised when the right to receive payment is established.

(s) Expenses

(i) Benefits paid

Benefits paid include member withdrawals and other member payments. These are recognised upon payment of such benefits.

(ii) Other expenses

Expenses are recognised in the statement of changes in net assets on an accrual basis.

(t) Employee entitlements

(i) Wages and salaries and sick leave

Liabilities for wages and salaries and incentives expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Payments for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave, gratuity benefits and retirement benefits

Gratuity and retirement benefits are paid in respect of services provided up to the reporting date by employees and on retirement and/or on completion of their contractual term. The liability for long service leave, gratuity benefits and retirement benefits is recognised in employee entitlements measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. INCOME AND EXPENSES

	June 2015	June 2014
	\$	\$
(a) Interest income		
Cash at bank	38,524	63,469
Treasury bills	70,171	220,807
Bonds	4,239,798	3,075,067
Loans and advances	7,992,879	6,922,381
Investment securities - commercial papers	6,912,846	6,194,744
Total	19,254,218	16,476,468
(b) Dividends		
Quoted shares	5,602,664	4,741,306
Unquoted shares	80,489,312	74,481,656
Managed funds	592,341	593,765
Total	86,684,317	79,816,727
(c) Gain from changes in fair values		
Investment properties	11,404,053	31,626,496
Equities	13,581,695	5,341,382
Net foreign exchange gain/(loss)	(9,671,980)	2,382,058
Total	15,313,768	39,349,936
(d) Rental income		
Investment properties	25,119,121	24,343,096
Others	1,244,337	1,099,237
Total	26,363,458	25,442,333
(e) Other income		
Bad debts recovery	1,383,064	5,065,382
Legal fee recovery	-	10,417,244
Risk premium fee – Bank of the South Pacific Limited	217,106	263,878
Surcharge	5,222,159	4,565,164
Others	136,262	745,130
Total	6,958,591	21,056,798
(f) Direct investment expenses		
Utilities (water and electricity)	3,481,682	4,480,723
Repairs and maintenance	7,954,158	6,648,156
Land rates and rental charges	418,482	415,600
Insurance	1,017,150	947,347
Management fees	932,101	-
Cleaning services	1,149,428	556,146
Valuation & consultation fees	1,984,801	356,000
Doubtful debts – loans and advances	71	4,698,147
Doubtful debts – other receivables	-	2,568,185
Total	16,937,873	20,670,304

3. INCOME AND EXPENSES (Continued)

	June 2015 \$	June 2014 \$
(g) Operating expenses		
Board and management allowances	907,829	367,595
Utilities (water and electricity)	2,587,306	1,525,672
Repairs and maintenance	1,667,657	2,558,726
Land rates and rental charges	42,730	102,702
Administrative expenses	4,943,513	5,969,366
Doubtful debts – Surcharges and other receivables	1,947,304	-
Depreciation expenses	7,157,032	6,968,973
Insurance expenses	328,232	323,663
Audit fees	358,520	500,570
Bank charges	62,090	61,247
Consultancy fees and expenses	689,979	2,118,916
Loss on disposal of property plant and equipment	921,227	-
Staff costs (refer below)	16,052,985	23,217,609
Total	37,666,404	43,715,039
<u>The breakdown of staff costs are as follows:</u>		
Wages and salaries	10,550,533	10,181,735
Contributions to SINPF	768,404	734,846
Employee benefits	423,838	10,290,186
Other staff costs	4,310,210	2,010,842
	16,052,985	23,217,609
(h) Benefits paid		
Interest on withdrawal, trust and other members expenses	9,907,344	8,313,477
Contribution withdrawals (refer Note 4 (b))	164,605,544	106,314,917
Special death benefit payments (refer Note 4(c))	1,717,750	1,659,876
Nominees trust payment (refer Note 4 (d))	552,582	455,398
Total	176,783,220	116,743,668

4. NET ASSETS AVAILABLE TO PAY BENEFITS

The following is a summary of net assets available to pay benefits and movement in related accounts during the year:

- Revaluation Reserve

The last revaluation of land and buildings was carried out on 16 June 2013. The revaluation surplus/loss is credited to the revaluation reserve. The next revaluation of the land and buildings will be carried out in the 2016 financial year.

- General Reserve

Revenue less normal operating expenses are credited to the General Reserve unless otherwise appropriated.

The following items are credited to this reserve each year:

- Net unappropriated surplus from operations; and
- Unallocated contributions outstanding more than 5 years from the unclaimed deposit account, unidentified members contribution including other appropriated contribution related accounts.

In the event where the general reserve is in deficit due to losses arising from operations, including shortfalls resulting from interest allocated to members' accounts, such losses are to be off set and recovered from subsequent earnings and future surpluses.

	June 2015 \$	June 2014 \$
(a) Net assets available to pay benefits		
Net assets available to pay benefits	2,763,438,960	2,600,977,271
<u>Represented by:</u>		
Allocated to members' account	2,307,445,301	2,048,124,001
Special death benefit (refer Note 20 (ii))	(21,727)	1,043,539
Nominees trust	5,461,546	4,520,557
Reserves	450,553,840	547,289,174
	<u>2,763,438,960</u>	<u>2,600,977,271</u>
(b) Liability for accrued benefits		
Opening Balance	2,048,124,001	1,693,478,795
Contributions received from members and employers	239,274,834	226,560,517
Interest credited to members accounts	187,450,778	236,231,153
Benefits paid – withdrawals (refer Note 3 (h))	(164,605,544)	(106,314,917)
Transfer to nominees trust accounts (refer Note 4(d))	(1,493,571)	(978,372)
Transfer to special death benefits (refer Note 4(c))	(652,484)	(596,174)
Forfeited contributions transfer to general reserve (refer Note 4(e))	(1,216,848)	(542,846)
Other transfers / adjustments	564,135	285,845
Balance at 30 June	<u>2,307,445,301</u>	<u>2,048,124,001</u>
<u>Represented by:</u>		
Allocated to members' accounts	2,287,764,897	2,020,946,105
Unidentified	19,680,404	27,177,896
	<u>2,307,445,301</u>	<u>2,048,124,001</u>

4. NET ASSETS AVAILABLE TO PAY BENEFITS (CONTINUED)

	June 2015 \$	June 2014 \$
(c) Special death benefit		
Balance at the beginning of the year	1,043,539	2,107,241
Transfer in (refer Note 4(b))	652,484	596,174
Transfer out (refer Note 3(h))	(1,717,750)	(1,659,876)
Balance at the end of the year	(21,727)	1,043,539
(d) Nominees trust account		
Balance at the beginning of the year	4,520,557	3,997,583
Transfer in (refer Note 4(b))	1,493,571	978,372
Transfer out (refer Note 3(h))	(552,582)	(455,398)
Balance at the end of the year	5,461,546	4,520,557
(e) Reserves		
(i) Revaluation Reserve		
Balance at end of the year	69,951,343	69,951,343
(ii) General Reserve		
Balance at the beginning of the year	477,337,831	603,868,541
Transfers in (refer Note 4(b))	1,216,848	542,846
Transfers out	(97,952,182)	(127,073,556)
Balance at end of the year	380,602,497	477,337,831
Total reserves	450,553,840	547,289,174
(f) Net change for the year		
The net change for the year has been appropriated to accrued benefits and reserves as follows:		
Change in net assets for the year attributable to members of the Fund:	162,461,689	227,573,768
<u>Comprises net transfers to/(from):</u>		
Liability for accrued benefits	259,321,300	354,645,206
Special death benefit	(1,065,266)	(1,063,702)
Nominees trust	940,989	522,974
General reserves	(96,735,334)	(126,530,710)
	162,461,689	227,573,768

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5. RECEIVABLES

	June 2015 \$	June 2014 \$
Interest	5,903,627	4,370,422
Rental income	4,931,249	5,518,998
Dividends	115,303,986	138,697,154
Surcharges	10,576,663	9,698,802
Others	18,240,124	5,317,780
	<u>154,955,649</u>	<u>163,603,156</u>
Less: Allowance for doubtful debts	<u>(11,940,842)</u>	<u>(12,568,570)</u>
Total receivables	<u>143,014,807</u>	<u>151,034,586</u>
<u>Movement in allowance for doubtful debts is as follows:</u>		
Balance at 1 July	(12,568,570)	(14,651,733)
Impairment loss recognised	(1,947,304)	(2,568,185)
Amounts written off against provision	2,575,032	4,651,348
Balance at the end of the year	<u>(11,940,842)</u>	<u>(12,568,570)</u>

The allowance for doubtful debts of \$11,940,842 (2014: \$12,568,570) is provided against arrears on surcharges, interest receivable and rental income.

6. INVESTMENTS

(a) Financial assets carried at fair value through statement of changes in net assets	June 2015 \$	June 2014 \$
(i) Commercial papers and treasury bills		
On shore deposits	458,865,223	455,772,824
Offshore deposits	135,660,172	170,601,262
Total deposits	<u>594,525,395</u>	<u>626,374,086</u>
Treasury bills	14,374,058	19,593,150
Other fixed term debt securities (debentures) – Related parties	51,986,900	31,500,000
Total	<u>660,886,353</u>	<u>677,467,236</u>
<u>The movement in commercial papers & treasury bills is as follows:</u>		
Opening balance	677,467,236	624,728,851
Net movement during the year	(4,512,888)	50,356,327
Foreign exchanges differences	(12,067,995)	2,382,058
Balance at the end of the year	<u>660,886,353</u>	<u>677,467,236</u>
(ii) Equity securities at fair value:		
- Listed	117,919,800	109,000,240
- Unlisted	1,184,025,871	1,070,444,170
Total equities at fair value	<u>1,301,945,671</u>	<u>1,179,444,410</u>

6. INVESTMENTS (CONTINUED)

	June 2015 \$	June 2014 \$
(a) Financial assets carried at fair value through statement of changes in net assets (continued)		
<u>The movement in investment securities carried at fair value through profit and loss is as follows:</u>		
Opening balance	1,179,444,410	1,170,010,601
Acquisitions during the year	100,565,779	-
Gain from changes in fair value (refer Note 3(c))	13,581,695	5,341,382
Exchange differences	8,353,787	4,092,427
Balance at the end of the year	1,301,945,671	1,179,444,410
(iii) Investment properties		
Opening balance	259,279,772	212,438,000
Transfer to property, plant and equipment	-	(4,700,000)
Additions	33,893	-
Disposals	-	(176,500)
Transfers from property, plant and equipment	14,595,326	20,091,776
Gain from fair value adjustment * (refer Note 3(c))	11,404,053	31,626,496
Balance at the end of the year	285,313,044	259,279,772

*Valuations of the Fund's investment properties was performed inhouse to determine the fair value of land and buildings (in the prior year, independent valuations of the Funds investment properties was performed by Value Solution Appraisal). The valuations, which conform to international valuation standards, were determined by reference to the current market values of the land and buildings in the current and prior year. The effective date of the valuation was 18 June 2015 (the effective date of the prior years valuation was 2 June 2014).

(b) Financial Assets carried at amortised cost

(i) Loans and advances

- Commercial loans	- Private entities	17,196,660	15,000,000
	- Related parties	68,856,668	75,891,019
- Member schemes		5,783,910	6,607,129
- Staff schemes		2,045,404	2,490,365
Total gross loans and advances		93,882,642	99,988,513
Allowance for doubtful debts		(8,994,330)	(9,026,720)
Net loans and advances		84,888,312	90,961,793

Movement in allowance for doubtful debts is as follows:

Balance at the beginning of the year	(9,026,720)	(4,435,743)
Impairment loss recognised (refer Note 3 (f))	(71)	(4,698,147)
Amounts written off	32,461	107,170
Balance at the year of the year	(8,994,330)	(9,026,720)

(ii) Held-to-maturity investments

Government securities – Related party (refer Note 17(a))	35,460,207	46,906,955
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings (at valuation) \$	Machinery equipment & motor vehicles \$	Furniture, fittings, computer & other equipment \$	Work in progress \$	Total \$
At cost / valuation					
Balance as at 1 July 2013	58,464,555	16,318,615	8,785,244	7,737,311	91,305,725
Transfer from investment properties	4,700,000	-	-	-	4,700,000
Transfer to investment properties	(10,000,000)	-	-	(10,091,776)	(20,091,776)
Additions	-	1,460,729	988,745	14,861,065	17,310,539
Disposals	-	(635,355)	-	-	(635,355)
Balance as at 30 June 2014	53,164,555	17,143,989	9,773,989	12,506,600	92,589,133
Balance as at 1 July 2014	53,164,555	17,143,989	9,773,989	12,506,600	92,589,133
Transfers from work in progress	5,609,676	1,087,115	1,445,168	(8,141,959)	-
Additions	2,017,643	538,377	601,913	15,878,964	19,036,897
Transfer to investment properties	-	-	-	(14,595,326)	(14,595,326)
Disposals	-	(956,404)	(669,850)	-	(1,626,254)
Balance as at 30 June 2015	60,791,874	17,813,077	11,151,220	5,648,279	95,404,450

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings	Machinery equipment & motor vehicles	Furniture, fittings, computer & other equipment	Work in progress	Total
ACCUMULATED DEPRECIATION	\$	\$	\$	\$	\$
Balance as at 1 July 2013	-	7,269,209	6,285,601	-	13,554,810
Expense for the year	2,898,874	3,276,780	793,319	-	6,968,973
Disposals	-	(635,355)	-	-	(635,355)
Balance as at 30 June 2014	2,898,874	9,910,634	7,078,920	-	19,888,428
Balance as at 1 July 2014	2,898,874	9,910,634	7,078,920	-	19,888,428
Expense for the year	3,133,974	3,195,462	827,596	-	7,157,032
Disposals	-	(580,480)	(144,307)	-	(724,787)
Balance as at 30 June 2015	6,032,848	12,525,616	7,762,209	-	26,320,673
CARRYING VALUE					
Balance as at 30 June 2014	50,265,681	7,233,355	2,695,069	12,506,600	72,700,705
Balance as at 30 June 2015	54,759,026	5,287,461	3,389,011	5,648,279	69,083,777

In 2013, an independent valuation of the Funds' land and buildings was carried out by Value Solutions Appraisal, and a revaluation increment was taken up. The valuations which conform to international valuation standards were determined by reference to the current market values of land and buildings (refer Note 4).

8. OTHER PAYABLES AND ACCRUALS AND EMPLOYEE ENTITLEMENTS

	June 2015 \$	June 2014 \$
(a) Other payable and accruals		
Rental bond	3,904,707	4,581,254
Other accruals	3,619,276	3,516,925
	<u>7,523,983</u>	<u>8,098,179</u>
(b) Employee entitlements		
<i>(Provision for early retirement benefits, annual leave and long service leave)</i>		
Current	6,115,696	4,396,479
Non-current	5,573,318	6,996,592
	<u>11,689,014</u>	<u>11,393,071</u>
<u>Movement in provision for employee entitlements:</u>		
Balance at the beginning of the year	11,393,071	1,102,885
Created during the year	423,838	10,290,186
Utilised during the year	(127,895)	-
Balance at the end of the year	<u>11,689,014</u>	<u>11,393,071</u>

9. RELATED PARTIES

(a) Board members and key management personnel

Related party disclosures requires the disclosure of information relating to aggregate compensation of key management personnel. The key management personnel of the Fund are members of the Fund's Board and senior staff who have responsibility for planning, directing and controlling the activities of the Fund. In 2015, this group comprises of 19 individuals, including the General Manager (CEO), 8 non-executive Fund Board Members, and 10 senior staff. Fees of the non-executive members of the Fund Board are determined by the Minister of Finance. The General Manager's (CEO) contract is subject to review by the Board of Trustees in terms of the Fund's policies. The Fund's Board of Directors determines the remuneration of other key executives.

The specified directors of the Fund during the year were:

Names	Appointment	Date of Appointment	Term of appointment	Date appointment lapse	Representing
Mr. Baoro Laxton Koraua	Director Chairman	7 March 2012 30 March 2012	3 years	7 March 2015	Employer
Mr. Peter Boyers	Deputy chairman Chairman	14 April 2014 20 May 2015	1 year 3 years	14 April 2015 20 May 2018	Crown Employer
Mr. Harry Kuma	Member	21 June 2014	1 year	21 June 2015	Crown
Dr. Levi Hou	Member	9 September 2011 9 September 2014	3 years	8 September 2014 8 September 2017	Employees
Mr. Gideon Zoleveke (Jnr)	Member	29 March 2013	3 years	29 March 2016	Employer
Dr. Alice Pollard	Member	29 March 2013	3 years	29 March 2016	Minister's Discretion
Mr. Jerry Maiki Tengemona	Member	14 April 2014	2 years	14 April 2016	Minister's Discretion
Mrs. Jullian Gegeu - Haro	Member	14 April 2014	2 years	14 April 2016	Employees

9. RELATED PARTIES (CONTINUED)

(a) Board members and key management personnel (continued)

The specified executives of the Fund during the year were:

Names	Position
Tony Makabo	General Manager and CEO
Michael Wate	Deputy General Manager
Ruth Alepio	Board Secretary
Alfred Sare	Manager Human Resource & Corporate services
Suzanne Orudiana	Manager IT
Aluta Kakadi	Manager Operations
Areau Hivu	Manager Internal Audit
Ishmael Kako	Manager Legal Counsel
Rose Karoa	Manager Finance
Jenifer Lakoa	Manager Investment/ Property

The remuneration / allowances of the Fund's directors and key management personnel were as follows :

	June 2015 \$	June 2014 \$
Directors:		
Sitting allowances	417,576	244,768
Other services and allowances	490,253	2,425
	<u>907,829</u>	<u>247,193</u>
Key management personnel (executives):		
Short-term employee benefits	4,692,004	4,476,651
Post-employment benefits	200,505	335,749
Total compensation	<u>4,892,509</u>	<u>4,812,400</u>

Short-term benefits include cash salary, and in the case of staff, annual leave, motor vehicle benefits, car parking, health benefits and the fringe benefits tax paid or payable on these benefits.

Post-employment benefits include superannuation benefits and in the case of staff, health benefits. Other long-term benefits include long service leave. The components of remuneration are reported on an accrual basis.

As at 30 June, loans by the Fund to key management personnel are as follows:

Housing loans	19,281	37,419
Other	200,884	182,445
Total loans	<u>220,165</u>	<u>219,864</u>

9. RELATED PARTIES (CONTINUED)

(b) Related Party transactions and balances

The following loans have been provided to related entities and are contained in Note 6 (b) (i):

	June 2015 \$	June 2014 \$
Loans and advances to related parties		
Soltuna Company Limited	40,822,616	46,274,430
Heritage Park Hotel Limited	16,942,718	16,942,718
Sasape International Shipyard Limited	5,885,629	5,524,586
Solomon Telekom Company Limited	5,205,705	7,149,285
Total loans and advances to related parties (refer Note 6(b) (i))	68,856,668	75,891,019

Commercial papers and treasury bills to related parties

Solomon Islands Government	49,834,265	46,906,954
South Pacific Oil Limited - debenture	25,000,000	25,000,000
Solomon Islands Home Finance Limited - debenture	6,500,000	6,500,000
Soltuna Company Limited	20,486,900	-
Total commercial papers and treasury bills to related parties	101,821,165	78,406,954

During the year, the Fund entered into various transactions with related parties. The aggregate value of major transactions with related parties during the year is as follows:

	June 2015 \$	June 2014 \$
Dividend income		
Solomon Telekom Company Limited	39,042,449	28,569,195
South Pacific Oil Limited	40,821,863	43,772,461
Solomon Islands Home Finance Limited	-	100,000
Heritage Park Hotel Limited	625,000	2,040,000
Total dividend income from related parties	80,489,312	74,481,656

Interest income

Soltuna Company Limited	5,504,250	5,366,518
South Pacific Oil Limited	1,771,233	1,157,260
Solomon Islands Home Finance Limited	910,356	649,644
Sasape International Shipyard Limited	559,750	536,586
Solomon Telekom Company Limited	366,819	519,771
Solomon Islands Government	1,044,645	1,214,880
Heritage Park Hotel Limited	1,764,868	-
Total interest income from related parties	11,921,921	9,444,659

Other transactions with related parties

South Pacific Oil Limited – Legal fees recovery	-	10,417,244
South Pacific Oil Limited – Repayment of debenture	-	20,000,000

10. AUDITORS REMUNERATION

Fees totaling \$358,520 was provided in the accounts for audit services as at June 2015 (2014: \$500,570). No other benefits were received by the auditors (Office of the Auditor General) during the year other than fees paid for normal auditing services.

11. GOING CONCERN

The Fund is designed to provide retirement and saving benefits to its members and it operates within the parameters of the Solomon Islands economy. The Central Bank has reported that prospects for the Solomon Islands economy are positive, however warns that further economic growth depends on maintenance of law and order and the Government's commitment to reforms and policies to enhance employment and the living standards of all citizens.

The Fund's Board and Management believes the Fund can comfortably meet its obligations to members as and when they fall due and that with concentrated attention, and the co-operation of the Central Bank, the opportunities for improved financial performance for the benefit of members can be realized.

12. CONTINGENT LIABILITY

(a) Deed between SINPF and BSP

Following the Deed signed on 26 March 2007, between Solomon Islands National Provident Fund and Bank of South Pacific Limited and for the purpose of satisfying the BPNG prudential guidelines, and in consideration for BSP entering into the Sale Agreement, SINPF undertake to guarantee the performance of the Solomon Islands Government Long Term Bonds of Forty Two Million Four Hundred and Ten Thousand Solomon Dollars (SBD 42,410,000).

The balance at 30 June 2015 of the long term bonds outstanding is \$11,119,250.

13. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank.

	June 2015 \$	June 2014 \$
Cash at bank	203,816,690	144,123,114
Cash on hand	3,400	3,400
	<u>203,820,090</u>	<u>144,126,514</u>

14. EMPLOYEES

The number of full time permanent Fund employees as at 30 June 2015 was 116 (2014: 117).

15. FINANCIAL INSTRUMENTS

Financial risk management

Exposure to operational, credit, liquidity, interest rate and currency risk arises in the normal course of the Fund's operations. The structure of the Fund's statement of net assets is primarily determined by the nature of its statutory functions and commercial considerations. At the same time, the Fund continually manages its exposure to risk, through a variety of risk management techniques. Risk management of the Fund is regulated by internal instructions and closely monitored by the Board.

(a) Credit risk

The Fund is exposed to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Fund's maximum credit risk, excluding the value of collateral, is generally reflected in the carrying value of financial assets. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. Impairment provisions are provided for losses that have been incurred at year end, if any.

Credit risk on financial assets is minimized by dealing with recognized monetary institutions.

At year end concentrations of credit risk are noted for Bank South Pacific Limited, Australia and New Zealand Bank Group Limited, Westpac Banking Corporation Limited and Credit Co-operation Limited.

The asset allocation at reporting date is as follows:

Assets	June 2015		June 2014	
	\$	%	\$	%
Commercial papers, treasury bills and held-to-maturity investments	696,346,560	62%	724,374,191	65%
Loans and advances	84,888,312	8%	90,961,793	8%
Cash and cash equivalents	203,820,090	18%	144,126,514	13%
Receivables	143,014,807	12%	151,034,586	14%
Total	1,128,069,769	100%	1,110,497,084	100%

The assets allocation range defines the high and low extremes within which each asset class may move in response to changing economic conditions. By approving an asset allocation range, the Board still maintain ultimate control over investment policy at the micro level while the Investment and Credit Sub-board Committee and Manager Investment are given the flexibility needed at operational level to quickly respond to and take advantage of, changing economic circumstances to accept and consider investments for the Board and Ministerial approval.

The Manager Investment shall evaluate investment proposals to ensure viability and consistency with the approved investment strategy and prudential standards issued by Central Bank of Solomon Islands.

Credit quality:

Assets	Neither past due nor impaired		Impaired		Total (Gross)	
	June 2015	June 2014	June 2015	June 2014	June 2015	June 2014
Commercial papers, treasury bills and held-to-maturity investments	696,346,560	724,374,191	-	-	696,346,560	724,374,191
Loans and advances	62,971,039	70,366,433	30,911,603	29,622,080	93,882,642	99,988,513
Cash and cash equivalents	203,820,090	144,126,514	-	-	203,820,090	144,126,514
Receivables	130,309,222	139,884,471	24,646,427	23,718,686	154,955,649	163,603,157

15. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Impaired assets

	June 2015	June 2014
Loans and advances	30,911,603	29,622,080
Receivables	24,646,427	23,718,686
Gross impaired assets	55,558,030	53,340,766
Less: Allowance for doubtful debts	(20,935,172)	(21,959,291)
	34,622,858	31,381,475

(b) Government security risk

The Fund has a significant exposure to the Solomon Islands Government (SIG) through its holding of government securities and bonds. The total holdings from SIG (treasury bills and government securities) at 30 June 2015 was \$49,834,265 (June 2014: \$66,500,105).

(c) Foreign exchange risk

The Fund holds assets denominated in currencies other than Solomon Islands dollars, the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities, and the dividends earned denominated in other currencies will fluctuate due to changes in exchange rates. The Fund manages this risk through regular review of its off-shore investment portfolio. The carrying amounts of the Fund's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

30 June 2015	Currency					Total
	SBD	AUD	USD	Euro	Others (GBP & PGK)	
Assets	\$	\$	\$	\$	\$	\$
Commercial papers, treasury bills and held-to-maturity invest- ments	560,746,388	59,078,837	46,426,270	-	30,095,065	696,346,560
Equity investments	1,184,025,871	16,844,722	36,311,201	10,288,862	54,475,014	1,301,945,670
Total	1,744,772,259	75,923,559	82,737,471	10,288,862	84,570,079	1,998,292,230
30 June 2014						
Assets						
Commercial papers, treasury bills and held-to-maturity invest- ments	553,772,929	65,600,640	51,537,540	24,585,548	28,877,534	724,374,191
Equity investments	1,070,444,170	17,610,328	22,838,446	9,699,980	58,851,486	1,179,444,410
Total	1,624,217,099	83,210,968	74,375,986	34,285,528	87,729,020	1,903,818,601

The Fund is mainly exposed to Australian Dollar, US Dollar, Euro, GBP Pounds and PNG Kina currencies.

The following table details the Fund's sensitivity to a 10% strengthening and weakening of all major currency exposures against the Solomon Islands Dollar. The 10% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes listed shares and term deposits where the denomination of the investment is in a currency other than Solomon Dollars. A positive number below indicates an increase in net assets where the foreign currency weakens by 10% against the Solomon Islands Dollar. A negative number below indicates a decrease in net assets where the foreign currency strengthens by 10% against the Solomon Islands Dollar.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

(c) Foreign exchange risk (continued)

	AUD impact (000s)		USD impact (000s)		Euro impact (000s)		GBP impact (000s)		PGK impact (000s)	
	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
	Strengthen	Weaken	Strengthen	Weaken	Strengthen	Weaken	Strengthen	Weaken	Strengthen	Weaken
Changes in net assets	(6,902)	8,436	(7,522)	(9,193)	(935)	1,143	(1,635)	1,999	(6,053)	7,398

(d) Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. The portion of the Fund's financial assets that are interest bearing are at a fixed interest rate and as a result, the Fund is not subject to significant amounts of interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash equivalents are invested at short-term market interest rates.

The credit risk on commercial papers and treasury bills is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and the Solomon Islands Government, a sovereign state. The Fund has no borrowing for which it has to pay interest expenses and its liability is limited only to members' contributions which receive interest earnings calculated on dividend basis. Accordingly an interest rate sensitivity analysis is not required.

(e) Liquidity risk

The Fund invests the majority of the Fund's assets in investments that are not traded in an active market.

The Fund holds a security that is listed on the Port Moresby Stock Exchange and units in a UBS Managed Fund where more than 90% of the investment are required to be held in listed stocks. Those units are considered readily realizable while those listed on Port Moresby Stock Exchange are not, due to the illiquidity of the market.

The liabilities of the Fund are long term in nature and are well structured in terms of benefits comprising of a mix of benefit commutation and fortnightly contributions payable through out the life-time of the member.

The table below summarizes the Fund's exposures to liquidity risk and maturity analysis of assets and liabilities:

	Up to 1 month	1 - 3 months	3 - 12 months	1-5 years	Over 5 years	Total
	\$	\$	\$	\$	\$	\$
30 June 2015						
Assets						
Cash and cash equivalents	203,820,090	-	-	-	-	203,820,090
Commercial papers, treasury bills and held-to-maturity investments	7,448,906	237,461,342	210,350,812	61,641,439	179,444,061	696,346,560
Loans and advances	-	-	10,964,616	13,446,660	60,477,036	84,888,312
Receivables	-	547,838	14,361,366	128,105,603	-	143,014,807
Total	211,268,996	238,009,180	235,676,794	203,193,702	239,921,097	1,128,069,769
Liabilities						
Accounts payable	1,685,634	25,409	49,261	-	-	1,760,304
Other payables and accruals	3,619,276	-	-	3,904,707	-	7,523,983
Total	5,304,910	25,409	49,261	3,904,707	-	9,284,287
Net liquidity gap	205,964,086	237,983,771	235,627,533	199,288,995	239,921,097	1,118,785,482

15. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

(e) Liquidity risk (continued)

30 June 2014	Up to 1 month	1 - 3 months	3 - 12 months	1-5 years	Over 5 years	Total
Assets	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	144,126,514	-	-	-	-	144,126,514
Commercial papers, treasury bills and held-to-maturity investments	-	147,720,325	439,383,475	30,102,100	107,168,291	724,374,191
Loans and advances	-	-	9,976,595	9,097,495	71,887,703	90,961,793
Receivables	6,380,171	19,140,514	125,513,901	-	-	151,034,586
Total	150,506,685	166,860,839	574,873,971	39,199,595	179,055,994	1,110,497,084
Liabilities						
Accounts payable	1,424,623	26,982	1,845	-	-	1,453,450
Other payables and accruals	506,527	285,106	7,306,546	-	-	8,098,179
Total	1,931,150	312,088	7,308,391	-	-	9,551,629
Net liquidity gap	148,575,535	166,548,751	567,565,580	39,199,595	179,055,994	1,100,945,455

16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS

(a) Subsidiaries

Management has concluded that the activities of the Fund meet the definition of an investment entity in accordance with the requirements of the amendments to IFRS 10, 12 and IAS 27. Consequently the Fund measures substantially all of its investments at fair value through the statement of changes in net assets and therefore does not consolidate its subsidiaries.

	Place of business	Ownership	Fair value June 2015	Fair value June 2014
Subsidiaries				
(i) South Pacific Oil Limited	Solomon Islands	100%	639,999,996	638,598,300
(ii) Solomon Islands Home Finance Limited	Solomon Islands	100%	24,430,000	15,550,000
(iii) Solomon Telekom Company Limited	Solomon Islands	97.32%	442,798,305	342,798,300
(iv) Solomon Oceanic Cable Company Limited	Solomon Islands	51%	32,676,199	32,676,199
Total fair value of subsidiaries			1,139,904,500	1,029,622,799
Other equity investments				
(i) Heritage Park Hotel Limited	Solomon Islands	10%	25,800,000	22,500,000
(ii) Soltuna Company Limited	Solomon Islands	32.10%	18,296,371	18,296,371
(iii) Sasape International Shipyard Limited	Solomon Islands	25%	25,000	25,000
(iv) Bank South Pacific Limited (Listed)	PNG		54,475,015	58,868,525
(v) Offshore managed funds (Listed)	US & Euro		63,444,785	50,131,716
Total fair value of other equity investments			162,041,171	149,821,612
Total fair value of equity investments (refer Note 6 (a) (ii))			1,301,945,671	1,179,444,411

16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS (CONTINUED)

(a) SUBSIDIARIES (CONTINUED)

Commencing in 2013, the Board adopted a policy to regularly revalue its unlisted domestic equities, beginning with its two large equity exposures South Pacific Oil Limited and Solomon Telekom Company Limited. All equities were revalued in 2014 and again in 2015. The valuations of all of the Fund's unlisted private equities for the 2015 financial year were carried out by Baoro and Associates. The valuations were carried out under the applicable International Financial Reporting Standard – IFRS 13.

(i) SOUTH PACIFIC OIL LIMITED (SPOL)

There were no changes to the shareholding of SPOL during the year. SINPF holds 100% (53,333,333 shares) of SPOL. As at 30 June 2015, the company was valued and carried in the books at \$639,999,996 based on the valuations carried out.

(ii) SOLOMON ISLANDS HOME FINANCE LIMITED (SIHFL)

During the year there were no changes to the shareholding in SIHFL. The Fund holds 5,109,091 fully paid shares in SIHFL and is wholly owned by the Fund. SIHFL is the Fund's vehicle to provide housing solutions for members of the Fund on commercial terms.

At 30 June 2015, the investment was revalued to market value of \$24,430,000 based on the valuations carried out.

(iii) SOLOMON TELEKOM COMPANY LIMITED (STCL)

During the year the SINPF Board purchased additional shares in STCL. The Fund purchased 26,138,272 shares representing approximately a 32% interest for SBD 100 million, from a minority shareholder (Cable and Wireless Plc), thus bringing its total holding to 77,764,218 class A shares. As at 30 June 2015, the Fund owned 97.32% of the STCL.

The other shareholder is the Investment Corporation of Solomon Islands holding 2,149,625 class A shares representing 2.68% of the STCL's ownership.

At 30 June 2015, the investment was revalued to market value of \$442,798,305 based on the valuations carried out.

(iv) SOLOMONS OCEANIC CABLE COMPANY LIMITED (SOCC)

SOCC was established in 2011 by the SINPF Board and Solomon Telekom Company Limited (STCL) to develop, operate, and own a submarine fibre optic cable network system that will greatly improve Solomon Islands connectivity to the rest of the world. As at 30 June 2015, the Fund owns 51% and STCL owns 49% of SOCC. At 30 June 2015, the investment in SOCC was valued at \$32,676,199.

(b) OTHER EQUITY INVESTMENTS

(i) HERITAGE PARK HOTEL LIMITED (HPhL)

During the year there were no changes to the Funds ownership interest in HPhL. The SINPF Board continues to hold 20 shares in HPhL, representing 10% of the company's share capital. The Fund has adopted a value of \$25,800,000 as at 30 June 2015 for its 10% shareholding based on the valuations carried out.

HPhL also has a loan balance with the Fund which currently stands at \$16,942,718. The loan, up till August 2015, was interest free in order to maximise the benefit of HPhL's 5 year tax holiday. The tax holiday has now expired and the loan is accruing interest at the rate of 12.5% per annum, which is approximately 1% below the domestic market lending rates as resolved by the HPhL Board.

(ii) SOLTUNA COMPANY LIMITED (SCL)

At the end of June 2015, SINPF owns 96,596,688 shares representing 32.1% of the total company shares, valued at \$18,296,371.

16. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS (CONTINUED)

(b) OTHER EQUITY INVESTMENTS (CONTINUED)

(ii) SOLTUNA COMPANY LIMITED (SCL) (CONTINUED)

Soltuna continues to pay down its \$50 million loan according to loan arrangements. At the end of the year, the loan balance was \$40,822,616, a reduction of approximately \$5.4 million.

During the year the SINPF Board purchased a convertible bond from Soltuna Ltd at \$20,486,900 that was priced at 5% interest per annum. Interest payments on the bond are being met by Soltuna Ltd as agreed.

SCL issued further shares after the financial year end with the SINPF Board purchasing 49% of the new share issues totaling 147,000,000 shares for \$15,680,000. This brings up SINPF Board's shareholding in Soltuna Ltd to 40.5%. The majority shareholder purchased the remaining 51% of the new issue of 153,000,000 shares for \$16,320,000. The other shareholders ICSI and Western Province shareholdings were diluted to 4.6% and 3.9% respectively.

(iii) SASAPE INTERNATIONAL SHIPYARD LIMITED (SISL)

Sasape International Shipyard Limited (SISL) was incorporated in February 2011 for the purposes of leasing and operating the slipway facilities at Base 2 at Tulagi, Central Islands Province, formerly owned by Sasape Marina Company Limited, a company wholly owned by the Solomon Islands Government (SIG). The assets at Base 2 Tulagi were purchased by SINPF after a successful joint bid was lodged by SSL and SINPF in 2010.

During the year there were no changes to the Fund's shareholding in SISL. As at 30 June 2015 SINPF has a 25% shareholding and is the owner of 882,834 shares in SISL. The valuation of these shares as at 30 June 2015 remains at \$25,000.

(iv) BANK SOUTH PACIFIC LIMITED (BSP)

The Fund maintained its 2,500,001 shares in BSP during the year. The BSP share price at the end of the year was \$21.78 per share (7.45 Kina) giving a valuation of \$54,475,015 (2014: \$58,868,525).

(v) OFFSHORE MANAGED FUNDS

The Fund has investments in three managed funds namely; UBS Australian Share Fund, Vanguard US 500 Stock Index Fund, and Vanguard European Stock Index Fund.

These funds are selected based on their proven past track performance, and low fee structures.

UBS Australian Share Fund covers the ASX 300 with most of the value invested in ASX top 100 stocks. The Vanguard US Stock Index Fund invests in 500 stocks in the US S & P 500 Index, and the Vanguard European Stock Index Fund follows the composition of the MSCI European Index in roughly 460 stocks.

At 30 June 2015 the Fund has 1,546,677 units in UBS Australian Share Fund at the recorded price of \$10.90 per unit (AUD \$1.797). During the year the Fund reinvested its quarterly distributions to purchase an additional 49,811 units in the Fund under the Fund's Distribution Reinvestment Program (DRP).

The Fund continued to maintain the same level of units in Vanguard US 500 Stock Index Fund at 207,924, with a closing price of \$174.64 per unit (USD \$22.2138) recorded at the end of the year.

The Fund also maintained the same level of units in Vanguard European Stock Index Fund at 64,673 with a closing price per unit of \$159.09 per unit (Euro 18.2316) at the end of the year.

17. GOVERNMENT SECURITIES, TREASURY BILLS AND OTHER PRIVATE COMMERCIAL LOANS

(a) GOVERNMENT SECURITIES

Government Securities	June 2015 \$	June 2014 \$
(i) Restructured Bonds	8,389,079	11,127,813
(ii) SIG Amortised Bonds	24,459,078	30,888,121
(iii) Soltai Amortized Bond	997,456	2,165,618
(iv) SICHE Bonds	1,614,594	2,725,402
Total Government Securities (refer Note 6 (a) (ii))	35,460,207	46,906,954

(i) Amortized Restructured Bonds

On 15 July 2004 a Deed was signed by SI Government and bond holders (Judgement Creditors) for the amortization of restructured bonds that the Government owed and had fully defaulted on. Under the Deed it was agreed by the parties that the principal debts be rescheduled and repaid over 7 to 14 years. Based on the restructure new instruments on each amortized bonds were issued replacing the old certificates.

Upon the execution of the Deed, on the 15 July 2004, \$55.5 million owed to SINPF were restructured as follows:

- \$1.9 million was paid upfront as principal reduction; and
- The remaining principal of \$53.6 million was rescheduled into four new amortized bonds at 2.0% to 3.5% interest rates repayable over 7 to 14 years as shown below.

Principal	Term	Rate	Instalment	Maturity Date	Balance 30/06/2015
5,550,000	7 yrs	3.00%	-	15/07/2011	-
11,100,000	10 yrs	3.00%	-	15/07/2014	-
11,100,000	13 yrs	2.00%	78,089	15/07/2017	1,934,533
25,850,000	14 yrs	2.50%	248,721	15/12/2018	6,454,546
53,600,000			326,810		8,389,079

After 7 years monthly repayment on the 14 year bond will increase to \$248,721 until the debt is fully repaid.

Two of the restructured bonds were fully paid in 2011 and 2014 respectively.

The agreement provides for early repayment of outstanding principal provided the debts accrue no

interest arrears, and such early principal repayments in aggregate shall not be less than \$5.0 million and such payments shall be paid to the bond holders pari passu in proportion to the aggregate face value of Restructuring Bonds held at the commencement of the Deed, 15 July 2004.

Under the Deed the original terms and conditions of restructured Bonds that matured on 15 April 2001, 15 July 2002 and 15 April 2003 remained legally in force. However, subject to the compliance by the Government, the bond holders will not take any further steps to recover under the judgement and have agreed the present proceeding be adjourned sine die. In the event SI Government defaults under this Deed, by notice bond holders may re-activate the judgement and have proceedings brought for further judgement on the remaining tranches.

17. GOVERNMENT SECURITIES, TREASURY BILLS AND OTHER PRIVATE COMMERCIAL LOANS (CONTINUED)

(a) GOVERNMENT SECURITIES (CONTINUED)

(ii) Amortized Treasury and Development Bonds

The Fund's investment in these securities consists of Bonds that were amortized on the Deed dated 2 December 2004 between SI Government and SINPF. The debts were rescheduled over 7 to 15 years as shown below.

Principal	Term	Rate	Installment	Maturity Date	Balance 30/06/2015
7,414,528	7 yrs	2.00%	-	15/11/2011	-
14,829,056	10 yrs	2.00%	-	15/11/2014	-
14,829,056	13 yrs	2.00%	108,029	15/11/2017	3,058,218
37,072,641	15 yrs	2.50%	426,478	15/11/2019	21,400,860
74,145,281			534,507		24,459,078

After 7 years monthly repayment on the 15 year bond will increase to \$426,478 until the debt is fully repaid. Two of the amortized treasury and development bonds were fully paid in 2011 and 2014 respectively.

The total principal amortized bond of \$74.1 million is made up of \$38.8 million converted from Treasury, Development and DBSI Bonds that were in default, and \$35.4 million in contribution arrears plus \$1.2m in surcharge arrears already booked and owing by the SI Government.

There is an option for early repayment on these bonds. In the event that additional principal early reductions are made, the repayment amounts shall be varied appropriately on each of the bonds based on the remaining terms.

(iii) SIG – Soltai (now Soltuna) Ammortising Bond

This debt relates to the Mortgage Debenture that Soltuna Limited (formerly Soltai Fishing and Processing) defaulted on which was settled and restructured by SI Government by a fresh Deed dated 31 March 2006.

Under the Deed \$10.0 million was amortised over 10 years at the interest rate equivalent to the 90 (91) day Treasury Bill weighted average yield. At the time the Deed was signed that rate was 5.02%. The sum of \$10.0 million is repayable over a 10 year period commencing on 1 April 2006 at \$106,163 per month. The remaining \$6.3 million from the original total published debt of \$16.3 million was settled up front in a lump sum payment at the signing of the Deed.

In relation to this same debt SINPF had earlier obtained judgement in its favour against Soltai, SIG and ICSI for the total sum of \$19.7 million. Under the Deed SINPF reserved its right to execute the judgement against Soltai, SIG and ICSI to recover the full judgement debt of \$19.7 million. SINPF will not require payment on the judgement sum if repayment of the Bond is not in default and Soltai, SIG and ICSI comply and fulfil their obligations under the Deed.

The Agreement provides for annual revision of interest on 1st April each year according to the Treasury Bills rate referred to above based on the last published Treasury Bill Auction results published prior to 1st April each year plus 1.5% but shall not exceed 7%.

The balance of the ammortising bonds as at the end of the year was \$997,456.

(iv) SIG – SICHE Amortising Bond

This debt relates to SICHE's contributions and surcharge arrears owing to the Fund for the period from July 1999 to December 2003.

17. GOVERNMENT SECURITIES, TREASURY BILLS AND OTHER PRIVATE COMMERCIAL LOANS (CONTINUED)

(a) GOVERNMENT SECURITIES (CONTINUED)

On 21st November 2006 the SI Government entered into a Deed with SINPF to settle the debts in full through a Bond. Under the Deed the debts were amortised over 10 years at the interest rate equivalent to the 90(91) days Treasury Bill weighted average yield plus 2%. At the time the Deed was signed that rate was 5.5%.

The Agreement provides for an annual review of interest rate on 9 November each year according to the Treasury Bills rate referred to above based on the last published Treasury Bill Auction result published prior to 9 November each year plus 2% but shall not be less than 5% or more than 7%.

In addition, the Agreement provides for early repayments of the Bond on 9 November each year in multiples of \$2,000,000 with prior 90 days written notice.

The balance of the amortizing bond at the end of the year was \$ 1,614,593.

(a) TREASURY BILLS – CENTRAL BANK OF SOLOMON ISLANDS

The Fund tendered for treasury bills offered by the Central Bank of Solomon Islands on behalf of the Solomon Islands Government. At the end of the year, the balance of Treasury Bills held by the Fund was \$14,374,058 (June 2014: \$19,593,150). These were mostly 91 days Treasury Bills at rates between 0.2% to 1.5%

(b) OTHER PRIVATE COMMERCIAL LOANS

Tavanipupu Island Resort Limited (TIRL) – Loan Agreement

TIRL defaulted on its 3rd scheduled interest payments of 12.5% on its \$15 million loan obtained from the Fund, on 22 February 2012. Consequently, SINPF called up the loan following the default prior to the maturity of the loan and applied to the Courts for default judgement against the borrower.

The parties entered into a court sanctioned out of court settlement agreement dated 14 October 2014 that allows the SINPF Board to take management control of TIRL and also to have the title of the mortgaged property transferred to SINPF.

Under the agreement the shareholders of TIRL have the option to buy back the resort from SINPF up to 30 September 2016. If they do not take up their option to purchase back the property at the end of the period, SINPF will also fully own the company. During the redemption period SINPF and the shareholders of TIR can sell the property to a purchaser agreed to by both parties.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Valuation models

The fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or broker price quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair values is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risk factors affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The valuation techniques include net present value and discounted cashflow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques includes risk-free and bench mark interest rates, credit spreads and other inputs used in estimating discount rates, bonds and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

(b) Valuation framework

The Fund uses third party valuations to measure fair value. When third party information is used to measure fair value, then the Fund assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then how the fair value has been determined using those quotes.

(c) Fair value hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of net assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets at fair value through statement of changes in net assets

	Total	Level 1	Level 2	Level 3
30 June 2015				
<u>Equity investments</u>				
- Energy	639,999,996	-	639,999,996	-
- Telecommunications	475,474,504	-	442,798,305	32,676,199
- Tourism and hospitality	25,800,000	-	25,800,000	-
- Manufacturing	18,296,371	-	-	18,296,371
- Shipping	25,000	-	-	25,000
- Financial services and others	142,349,800	117,919,800	-	24,430,000
Total equity investments	1,301,945,671	117,919,800	1,108,598,301	75,427,570

Commercial papers and treasury bills	660,886,353	-	660,886,353	-
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Total financial assets at fair value through statement of changes in net assets

1,962,832,024	117,919,800	1,769,484,654	75,427,570
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30 June 2014

Equity investments

- Energy	638,598,300	-	638,598,300	-
- Telecommunications	375,474,499	-	342,798,300	32,676,199
- Tourism and hospitality	22,500,000	-	22,500,000	-
- Manufacturing	18,296,371	-	-	18,296,371
- Shipping	25,000	-	-	25,000
- Financial services and others	124,550,240	109,000,240	-	15,550,000

Total	1,179,444,410	109,000,240	1,003,896,600	66,547,570
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Commercial papers and treasury bills	677,467,236	-	677,467,236	-
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Total financial assets at fair value through statement of changes in net assets

1,856,911,646	109,000,240	1,681,363,836	66,547,570
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There have been no transfers between the fair value hierarchies during the year.

The following table shows the reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy.

	June 2015 \$	June 2014 \$
Balance at 1 July	66,547,570	97,947,683
Fair value (losses) / gains *	8,880,000	(31,400,113)
Purchases	-	-
Disposals	-	-
Balance at the end of the year	75,427,570	66,547,570

*These gains and losses are recognized in the statement of change in net assets as net gain from financial instruments at fair value through profit or loss.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs as at 30 June 2015 in measuring financial instruments categorized as level 2 and level 3 in the fair value hierarchy.

Description	Valuation technique	Unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Unlisted private equity instruments (categorised in level 2)	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected EBITDA of the investee. The estimate is adjusted for the effect of non-marketability of the equity securities.	<ul style="list-style-type: none"> - Forecast annual revenue growth rate - Forecast EBITDA margin - Adjusted market multiple 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> - The annual growth rate were higher (lower); - The EBITDA margin were higher (lower); or - The adjusted market multiple were higher (lower). <p>Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin.</p>

Unlisted private equity instruments which are categorised in level 3 are valued using the tangible net assets method and therefore are not sensitive to unobservable inputs.

(e) Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities including cash and cash equivalents whose carrying value approximates fair value.

19. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015 and have not been applied in preparing these financial statements. Those that may be relevant to the Fund are set out below. The fund does not plan to adopt these standards early.

- IFRS 9 Financial Instruments. Effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
- IFRS 15 Revenue from Contracts with Customers. Effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

20. SUBSEQUENT EVENTS

(i) Purchase of additional shares in Soltuna Company Limited

Soltuna Company Limited issued further shares after the financial year end 30 June 2015 with the SINPF Board purchasing 49% of the new share issues totaling 147,000,000 shares for \$15,680,000. This brings up SINPF Boards shareholding in Soltuna Ltd to 40.5%.

(ii) Transfer from general reserve to special death benefit reserve

During the year, the SINPF board sought approval from the Honorable Minister of Finance for a transfer from the General Reserve to the Special Death Benefits Fund which had become overdrawn by year end. Subsequent to year end, the Minister granted approval by way of a letter, dated 25 August 2015 for the transfer of \$1.1 million from the general reserve to replenish the special death benefit reserve.

Apart for the effect of the matters noted above, there has not been any matter or circumstances that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operation of the Fund, the results of those operations, of the state of affairs of the Fund in future financial years apart from the matters discussed elsewhere in the financial statements.

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