

GM Wate on Country's economy effect into SINPF Financial Status

Last year when providing the overview of the Fund's 2019 financial performance we concluded with an outlook; *that following the past excellent years for members of the Fund, repeating similar excellent financial results will be challenging given the downgrade of our economy's 2020 GDP growth forecast by the Central Bank of Solomon Islands and uncertainties in the global economy.*

These are what we know, are normal business risks and cycles that we will conventionally deal with and manage. Beginning in February 2020 these normal challenges were overtaken by the covid19 health crisis that no one knew is coming, turning these challenges into abnormal risks.

You do not have to look far as this hotel a subsidiary of the Fund is one of the many casualties of the pandemic with unfilled rooms and low occupancy.

2020 Audited Financial Statements

I am pleased to report an overview of the Fund's performance and key activities undertaken during the financial year ending 30 June 2020. Unfortunately, our overview of the Fund's financial performance is based on unaudited numbers, as our 2020 audit is still in progress.

This is a situation that we are not able to avoid due to the current covid19 restrictions that prevent our external auditors to perform their onsite audit. We have to resort to performing the audit offsite using technology to send files back and forth, necessary for the auditor to perform their audit.

We had secured an extension from our regulator the Central Bank of Solomon Islands and we expect to complete our 2020 audit by the end of October 2020, allowing the Board to declare a crediting rate for its members today, 30 September 2020.

Financial Performance

I will generally talk about the Fund's financial performance in broad terms as the numbers are still unaudited and are subject to change.

Based on these numbers, the Fund has achieved a very strong above budget cash income for the year. In fact these are better than last year, from its key investments in terms of dividends from South Pacific Oil Limited, Solomon Telekom Company Limited, and Bank South Pacific Ltd.

The loan and bond book was quite strong with interest from our subsidiaries (Heritage Park Hotel, Soltuna Ltd, Solomon Housing Ltd, SPOL and Solomon Telekom) and the government's long dated bonds coming in above budget and above last year's performance as well.

Projected rentals were not achieved as the ASB refurbishment slowed with the unavailability of overseas based skill labor required for the project and delayed procurement. The apartment occupancy fell as expatriate tenants vacate the property to return home and generally an increase in tenant delinquency due to the economic impact of the health crisis.

The annual unrealized revaluations losses from our unlisted equity valuations; South Pacific Oil Limited, Solomon Housing Limited, Soltuna Limited, Solomon Islands Submarine Cable Company Limited and Loloata Island Resort Ltd made a considerable dent to our cash incomes.

Whilst SPOL is profitable returning the Fund a dividend of \$63 million for the year there was a correction of 13% to our cash cow fair value. SPOL's fair value has consistently grown over the past 7 years and we expected this correction to happen.

Our 2 new unlisted equities Solomon Islands Submarine Cable Company Ltd (SISSC) and Loloata Island Resort Limited (LIR) unfortunately commenced their business in the year of the pandemic.

As a result of these unrealized revaluation losses we will expect a minimal net loss for the Fund's overall income.

Notwithstanding these unrealized losses the Fund's liquidity and general reserves built over past years remain strong to finance member benefits and this year's crediting rate.

Membership

6,182 new members were registered during the year, down from the previous year's level of 9,328. Total membership increased to 143,950 members up from 140,731 recorded in the previous year. Total member contribution balance increased to \$3.052 billion from \$2.98 billion in 2019.

Active contributing members slightly declined to 59,330 from 61,252 recorded in the previous year. Active members hold a total contribution balance of \$2.53 billion.

Member Benefit Payments

A total of 28,829 benefits were paid out to members during the year.

8,594 benefits up from 6,900 in 2019 were paid during the year under the formal sector. The large bulk of these payments were made to retiring members 50 years and above for \$213.6 million. Whilst the balance of 20,255 were early withdrawals by members made under the COVID19 exemption orders for \$97.5 million.

Total member benefit payout increased to \$424 million including covid19 exemption orders, an increase of about \$140 million on the previous year level of \$284.7 million.

Members and employer Incoming contributions increased by 5% to \$333 million against 2019 \$318 million. The negative contribution of \$91 million (the difference between incoming contributions and member benefit pay out) was financed from the Fund's existing liquidity.

Employers

New employers registered during the year fell to 223 down from the previous year level of 368, reflecting the state of the economy due to the impact of the pandemic.

The informal sector – youSave

As at 30 June 2020 total youSave has 17,844 members with gross savings of \$17.2 million and net savings of \$13.3 million. Membership had increased by more than 80% on the 2019 membership number of 9,871, representing 7,793 new members on boarded in 2020.

The bulk of the new members joined using the recently launched youSave lo Mobile in November 2019.

3,244 benefits were paid out to youSave members worth \$2.9 million mostly using funds from their general accounts.

New Investments

The Board made 2 major new investments during the year after securing approval from the Minister of Finance.

A \$120,088,250 was approved for the construction of a new residence for DFAT and the expansion of the Hibiscus Apartments at the Hibiscus Apartment site.

An agreement to lease has been signed with the Australian High Commissioner on behalf of the DFAT for SINPF to deliver the accommodation at a date specified in the contract at an agreed lease amount.

Preparation of the site for the construction of the new residence and the apartment's expansion has commenced.

The SINPF Board purchased a 5 year \$60 million COVID19 development bond issued by the government during the year, to support the government's stimulus package. This bond is financed from a recalled low earning fixed term deposit,

Implementation of existing and approved projects and disposal of assets

The major refurbishments of the ASB and NPF building continued during the year with completion expected by the end of 2020 with the delivery of 3 new lifts for the 2 properties.

The Auki, Malaita Province Solomon Telekom Sales Office building construction commenced during the year. Once completed it will be the first SINPF formal investment in Malaita Province.

The nonbank financial institution approved by the Minister of Finance in 2019 was incorporated during the year with the name Solomon Finance Limited and trading as Our Finance.

The SFL was issued with an interim license in November 2019 with requirements to comply with before a full license is issued. Management and the interim directors of Our Finance had worked through these requirements for compliance.

Recently the Central Bank of Solomon Islands has issued no objection to the names of potential directors to the Board of SFL under CBSI's fit and proper requirements.

Once these names are appointed by the NPF Board, the new SFL Board will apply to the CBSI for the full credit license. The SFL Board should be in place by the 3rd week of October 2020.

SFL had commenced recruitment with its office located at the ground floor of the ASB.

During the year the Board disposed its recently purchased Solomon Telekom Recreational Centre for \$36 million to the National Hosting Authority (NHA) for a \$2 million profit. The liquidity from this and other asset disposals will finance the new DFAT residence.

Outlook

The COVID-19 pandemic has and will continue to inflict high and rising human costs worldwide. Protecting lives and allowing healthcare systems to cope with the pandemic requires isolation, lockdowns, and widespread closures to slow the spread of the virus.

The COVID-19 health crisis has severely impacted on economic activity throughout the globe and in Solomon Islands.

Until a resolution to the pandemic is identified in particular a magic vaccine, the recovery will be long bringing more uncertainty and risks to the Fund.

Thank you so much for listening and for your attention.

God Bless SINPF, God Bless Solomon Islands

ENDS///

30th September, 2020