



**Vision** *Securing and Enhancing our Future*  
**Mission:** *Achieve Sustainable Growth through Real Return and Provision of Quality Services*

**OVERVIEW OF THE FUNDS FINANCIAL AND OPERATIONAL PERFORMANCE FOR THE 12 MONTHS PERIOD ENDING 30 JUNE 2021: BY SINPF CEO/GENERAL MANAGER, MIKE WATE: 30 SEPTEMBER 2021**

***Salutations***

- 1) The Prime Minister and Minister of Finance & Treasury (ag), Hon Manasseh Sogavare
- 2) Governor, Central Bank of Solomon Islands (CBSI), Dr Luke Forau
- 3) The Permanent Secretary, Ministry of Finance and Treasury, Mr. Mckinnie Dentana
- 4) SINPF Board Chairman, Deputy Chairman and Members
- 5) Chairperson and CEO of Solomon Islands Chamber of Commerce and Industry
- 6) General Secretary of Solomon Islands Council of Trade Unions
- 7) Chairpersons and Secretaries of Public and Private Sector Unions
- 8) CEOs, General Managers, and CFOs of SINPF Board major and minor subsidiaries (South Pacific Oil Ltd, Solomon Telekom Ltd, SolTuna Ltd, Heritage Park Hotel Ltd, Bank South Pacific, Solomon Islands Submarine Cable Company Ltd, Solomon Housing Ltd and Solomon Finance Ltd)
- 9) Former colleague General Manager/CEO's of the Fund
- 10) Colleague Management team of the Fund
- 11) The Media, and
- 12) Ladies and Gentlemen

Last year the Board declared a 3.7% crediting rate for its members when we were just 3 months into the COVID-19 pandemic. We made a net loss from our investments due to large negative movements in the fair values of some of unlisted equities and investment properties.

There were a lot of uncertainties that had negatively impacted on some of our key investment assets as governments including our government dealt with the escalating health and economic fall outs from the pandemic.

**2021 Draft Audited Financial Statements**

15 months into the pandemic for the 12 month period ending 30 June 2021, I am pleased to report an overview of the Fund's performance and key activities undertaken during the financial year ending 30 June 2021. Our overview of the

Fund's financial performance is based on unaudited numbers, as our 2021 audit is still in progress.

## **Financial Performance**

The Fund has achieved a very strong above budget income for the year with an expected unaudited gross income of just over \$400 million.

Strong drivers to this strong positive outcome are from the following;

- 1) Our offshore equity investments through managed funds Vanguard and UBS Australian Share Fund in USA, Europe and Australia
- 2) Strong dividends from South Pacific Oil Limited, Solomon Telekom Company Limited and Bank South Pacific Limited
- 3) Interest from our subsidiary companies Heritage Park Hotel Limited, Soltuna Ltd, Solomon Telekom Company Limited, Solomon Submarine Cable Company Ltd and Solomon Housing Limited
- 4) Interest from our long-dated Government development bonds,
- 5) Commencement of rental for the recently completed refurbished Anthony Saru building, and
- 6) Improved fair values of our key unlisted domestic equities South Pacific Oil Limited and Solomon Telekom Ltd

As a result of their strong financial performance against their budgets during the year, potential business growth and with the government's improved sovereign risk rating by rating agency Moodys, SPO recovered its declined 2020 fair value prices with STCL extending further its fair value.

Soltuna Ltd business prospects improved with the Government signing the Interim Economic Partnership Agreement (IEPA) with European Union in May 2020. Under the IEPA Soltuna has secured a derogation to secure fish from other fishing jurisdictions when inadequate fish are caught in our waters in October 2020. This has greatly improved the cannery's throughput and productivity and financial performance as fish supply consistency is assured.

Our investments that relied on international travel and tourism did not achieve their potential as the domestic market is limited and hence are performing below their pre-

covid-19 levels. These include the Heritage Park Ltd, Loloata Island Resort Ltd and Hibiscus Executive Apartments.

Our other unlisted equity exposures Solomon Housing Ltd and Solomon Islands Submarine Cable Company Ltd fair values declined during the year.

Solomon Islands premium resort Tavanipupu Island resort was leased to Private Islands Investments Limited for a 5 year lease whilst discussions are ongoing for the sale of the Fund's shipyard to Sasape International Shipyard Limited.

Direct investment costs of \$19.9 million declined in 2021 from 2020 amount of \$26.2 million during the year as the refurbishments of the 2 major buildings were completed during the year.

Operational costs declined to \$48.6 million in 2021 down from 2020 amount of \$53.1 million as the Board deals with the uncertainties of the pandemic by cutting back on certain expenditures.

With the adoption of new standards for additional investment classes, the Board has set aside more than \$ 5.3 million for potential impairment losses up from \$3.1 million in 2020.

Adjusting for direct investment costs, impairment costs, and operations costs the Board will have just over \$300 million to consider to distribute for members crediting.

## **Membership**

5,967 new members were registered during the year, down from the previous year's level of 6,182. Total membership (with credit balance) increased to 144,198 members up from 143,950 recorded in the previous year.

Contributions received from employers and members increased to \$344.2 million up from \$333.0 million in 2020.

Total member contributions balance therefore increased to \$3.3 billion from \$3.1 billion in 2020.

Active contributing members slightly declined to 57,530 from 59,330 recorded in the previous year.

Active members hold a total contribution balance of \$2.6 billion.

### **Member Benefit Payments**

A total of 8,371 benefits were paid out to members during the year under the formal sector. This is in comparison to the previous number of 20,555 benefits paid inclusive of 11,961 benefits made for members withdrawing their funds under the Minister of Finance COVID-19 exemption orders.

The large bulk of the 2021 benefits payments were made to retiring members 50 years and above for \$203.8 million.

The total member benefit payout reduced to \$324 million on the previous year level of \$427 million. The 2020 amount includes payments made under the one off exemption order by the Minister of Finance in 2020.

Members and employer Incoming contributions increased by 3% to \$343 million against 2020 incoming contributions of \$333 million.

### **Employers**

New employers registered during the year fell to 218 down from the previous year level of 223, reflecting slowdown in our economy in 2020 due to the impact of the pandemic.

### **The informal sector – youSave**

As at 30 June 2021 total youSave membership has reached 28,483 members with gross savings of \$29 million and net savings of \$21.8 million.

Membership had increased by more than 60% on the 2020 membership number of 7,793, representing 10,657 new members on boarded in 2021.

The bulk of the new members joined since the launched of the youSave lo Mobile in November 2019 and the reimbursement of the 10% on airtime

Incoming new contributions for the informal sector increased by 36% from the previous year of \$8.56 million to \$11.7 million.

5,030 benefits were paid out to youSave members worth \$3.5 million mostly using funds from their general accounts.

### **The Fund's Liquidity for new investments**

During the year the Board's new free cash for new investments improved from a negative position in 2020.

This is the result of a positive net positive contributions of \$31.7 million (incoming contributions less withdrawals) and returns from investments including investment asset disposal of \$63.4 million for a total of \$95.1 million new cash added in the year.

This lifted overall free cash to \$260.5 million at the end of 2021 against \$165.4 million recorded in 2020.

### **New Investments**

Limited new investments were made during the year.

The Board purchased a new long term development bond of \$60 million during the year. The Board sold its previously acquired \$60 million development bond to the Central Bank of Solomon Islands (CBSI) to finance the purchase of this new bond priced at the same coupon rate of 5%.

The SINPF Board together (with other shareholders) injected additional equity of K975,000 (approximately SBD2.34 million) to support the resort deals with the closure of international borders and additional capex for the resort. The additional equity was funded from cash domiciled in our Bank accounts in Papua New Guinea from our BSP annual dividends.

Just into the new financial year, the Board purchased an additional \$120 million development bond from the government with a coupon rate of 5%.

### **The Fund's Asset Value**

The funds asset has grown by 10% from 2020 value of \$3.599 billion to \$3.973 billion in 2021. This is driven by the strong growth in the fund's listed and unlisted equity fair values, cash and cash equivalents, and loans and advances.

### **Implementation of existing and approved projects and disposal of assets**

The major refurbishments of the ASB and NPF buildings was completed during the year with the ASB almost fully tenanted.

The Auki, Malaita Province Solomon Telekom Sales Office building construction was completed towards the end of the financial year. Additional specific requirements by the two new tenants extended the completion of the building. The 2 tenants are expected to move in from 1 November 2021. The property is the first SINPF formal investment in Malaita Province.

Solomon Finance Limited trading as Our Finance is now fully resourced with its own Board and General Manager appointed in November 2020 and early 2021 respectively. A new interim license was issued to SFL by the CBSI in December 2020. The SFL Board will apply for the conversion of the interim license in October 2021, with the new nonbank financial institution expected to commence its members lending business in early 2022.

Tenders were issued and opened for contractors to build the expansion of the Hibiscus Executive Apartments and Residence for DFAT. Construction is expected to commence in November or December this year on the \$120 million property investment project.

The Board with the support of the International Finance Corporation (IFC) of the World Bank Group commenced the feasibility of developing its 90 hectares land bank at Panatina for the development of homes for members. A business case will be presented to the Board in this new financial year.

The IFC also provided support to the Board for its derisking options in SPOL during the year and we will also expect a completion of that work in this financial year.

## **Outlook**

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

The Solomon Islands economy declined by 3.6% in 2020 and is expected to rebound in 2021 by just over 1% as officially reported by various sources.

The Solomon Islands Government so far has been successful in preventing community transmission. However, the risk for community transmission is always present due to our border with Papua New Guinea, international ships and our current low vaccination rate.

The Board is and will always be mindful of the uncertainties and risks surrounding dealing successfully with the pandemic by our government and the potential to reopen our borders to return to some form of normalcy.

In this connection, the Board strongly encourages all its members to be fully vaccinated so that we can all reach our government's target vaccination rate of 90%.

### **Acknowledgement**

In closing, I on behalf of the Board would like to acknowledge the support and cooperation from the following;

- 1) The Minister, Permanent Secretary and senior officials of the Ministry of Finance and Treasury
- 2) The Governor and senior officials of the Central Bank of Solomon Islands (CBSI)
- 3) The Board and Senior officials of our investee companies (SPOL, STCL, Soltuna, Solomon Homes, Bank South Pacific, Loloata Island Resort, Solomon Submarine Cable Company, and Solomon Finance)
- 4) All employers and their associations
- 5) All employees and their unions
- 6) The IFC of the World Bank and Group
- 7) The UNDCF of the United Nations

8) And to all those institutions and organisations that we have missed in mentioning above.

Thank you so much for listening and for your attention.

God Bless SINPF, God Bless Solomon Islands from shore to shore.