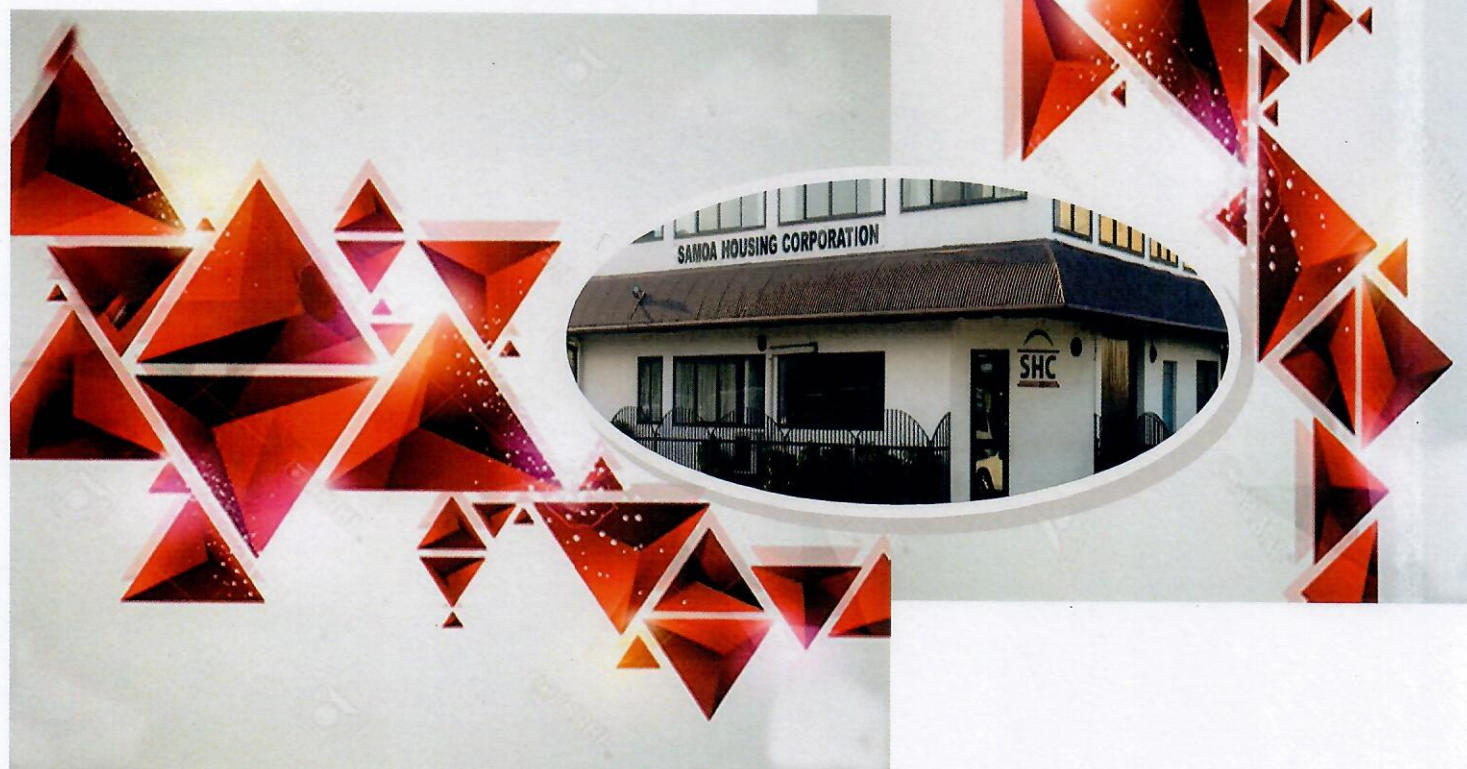


ANNUAL REPORT

2019



SAMOA HOUSING CORPORATION



Afioga i le Fofoga Fetalai
Palemene
MULINUU

E tusa ai ma aiaiga i le Vaega 40 o le Tulafono a le Faalapotopotoga o Mea Tau Fale 2010 ou te
tuuina atu ai le Lipoti o le tausaga faaletupe na mae'a i le aso 30 Iuni 2019 i le Fono Aoa
Faitulafono.



Afioga Lautafi Fio Selafi Purcell
MINISITA, FAALAPOTOPOTOGA TUMA'OTI A LE MALO

Mr Speaker
Legislative Assembly
MULINUU

In pursuant of Section 40 of the Housing Corporation Act 2010, I present to the Legislative
Assembly the Annual Report for the Samoa Housing Corporation for the financial year ending
30 June 2019.



Honourable Lautafi Fio Selafi Purcell
MINISTER OF PUBLIC ENTERPRISES

RIPOTI A LE TAITAIFONO



I le faaaloalo lava e tauaao atu ai lenei lipoti i le maoae o taumafaiga ma le tulaga maua na ausia i galuega faatino ae faapea foi i tupe maua e le Faalapotopotoga i lenei tausaga faaletupe 2019.

I le taula'i pea o lana faamuamua, i le maua o avanoa talafeagai mo le atunuu i ni nonogatupe e atiae ma siisii a'e ai i luga le tulaga o apitaga i se tulaga lelei ma le saogalemu - o se aia mo tagata soifua uma, ae faapea foi ona siisii ae ai le numeru o i latou e umia saoloto ai o latou apitaga.

O le aofaiga o nonogatupe i lenei tausaga 2019 e \$23.8 miliona tala, o se siitaga e 7% mai i le tausaga ua tuanai ma e tuputupu ae pea lea siitiaga. O le tuufaatasiga o tupe faaune atu a le Faalapotopotoga ua siitia a'e mai i le \$48.4 miliona tala i le 2018 i le \$56.2 miliona tala i le 2019, o se siitaga e 16% e atagia ai le manuia o le tuputupua'e o fefaatauaiga a le Faalapotopotoga i le maketi.

O le tasi o auunaga faaauau, o le lisi atu o fale mo nai aiga e autova'a mai i le taulaga mo galuega. Talu mai le 2013 na faamatu'u mai ai i le Faalapotopotoga le vaai ma faafoe le faagaioiina o fale. E 68 fale, ua mae'a ona faaleleia sei vagana ai fale e 4 ua siliga iai se galuega lavea'i, ae faatama'ia ona ole matua leaga faia o le tulaga na maua atu o iai. E oo mai nei aseta a le malo o i se tulaga le manuia ma le faaletonu. I le tuanai ai o ia fatia, e fafia e lipoti atu ua 100% le nofoia o fale uma, ua mae'a faalelei. O loo solosolo manuia lelei le tupe maua mai i lea atinae tele sa feagai ai i nei tausaga, ua iai foi se sootaga lelei ma i latou o alala ma papa aao ai i le totogi mai o latou lisi i masina taitasi.

E tusa ai ma le faamamafa o le Vaaiga Taula'i 2019-2022, ua alagatatau ai ona fai suiga talafeagai i lana tulafono ia atagia ai ia auunaga fou faaopoopo mai e le i masani ai le amataga. Ua maea ona faatino ma ana manulauti faavae ia aua nei solitulafono i le faia o mea e le o iai ni taiala. Sa saili fesoasoani i le polokalame fesoasoani faapitoa a le Malo, ua mafai ai ona ausia ia suiga faaopoopo talafeagai.

O le faatupulaia o le tulaga televave o le galuega ma auunaga a le Faalapotopotoga e faapea foi le alualua'e o noataga i mea tau tupe e faatino ai ma o gatasi ma ia siitiaga. O lea ua saili matagi i ni isi auala ma metotia e faamausali ai le iai pea o le punaoa o tupe e faatino nei suiga lelei. E le gata mo le saili i tupe nono mai i tau māmā i fafo atu o Samoa ona galue lea o le Faalapotopotoga e faagalua i se faiga e talia ai teugatupe a le atunuu ma Kamupani. O se vaai mo le lumanai o i latou faatoa amata faigaluega ae iai se faamoemoe o teu se vaegatupe mo lona lumanai, aemaise i sona fale mautu umia saoloto.

O le gasologa o le galuega i le 2019 e 10 fono a le Komiti Faatonu, e 6 fonotaga a Komiti o Tupe ma Fale Mautotogi. E 4 Faatonu alii ma le tasi le tamaitai, o le faatulagaina, ia o gatusa ma taiala o Pulega lelei, manino ma talitonuina le faafoeina o nafa o le Faalapotopotoga o Mea Tau Fale.

E momoli atu ai le agaga o le faamalo ma faafetai aumai i le Komiti Faatonu i le Pulega ma le aufaigaluega mo galuega maoa'e ua a'e malo ai o outou faiva i lenei tausaga faaletupe.

CHAIRMAN'S REPORT 2019

It is my pleasure to report on the successful achievements of the Corporation for the financial year 2019 with its financial and operational performance.

The Corporation continues to provide access to financial services for those on modest income recognizing that adequate shelter is a fundamental human right and it also raises the level of private home ownership in the country. The total value of loans approved in 2019 was \$23.8 million tala a 7% increase from the previous year as the demand for loans grew steadily. The value of the total loans portfolio for the Corporation increased from \$48.4 million tala in 2018 to \$56.2 million tala in 2019 a 16% increase as the Corporation continues to grow and attract business in a competitive housing market.

Our other major activity is the provision of residential rental properties to Samoan families. Since the transfer of rental housing in 2013, 68 houses have been completely renovated except for the remaining four houses which require total rebuilds following their demolition given their deteriorating condition. This rental housing portfolio was in a very poor state of repair and required extensive renovations. We are also happy to report that occupancy of the rental stock is 100% with good performance on rental payments with very minimal arrears as we build stable and good landlord tenants relationships.

It is also imperative in our Corporate Plan 2019-2022 that the Samoa Housing Corporation legislation be reviewed to ensure the Corporations current operational status is aligned with its own Act. We have obtained technical assistance from the Samoa Governance Programme to enable this major reform.

The rapid growth and development of Samoa Housing Corporation comes with consequential challenges in funding such growth. Hence we are exploring the possibilities of changing our main source of external funding and access more funding at cheaper rates by becoming a non-bank deposit taking institution which would enable us to accept term deposits from the people of Samoa or from other institutions.

During 2019 there were 10 Board meetings and 6 Sub-Committee meetings of the Audit and Rental Sub-Committees. There are 5 Board members with 20% female composition. We ensure that governance structures and process reflect on principles of good governance, transparency and accountability.

On behalf of the Board of Directors I applaud and congratulate the Management and Staff for its record achievements and successful financial year.



Tuilaepa Eti Faalotoi
CHAIRMAN

RIPOTI A LE OFISA SILI



E fiafia lava e faailoa atu o loo aga'i malosi i luma ma faatupulaia taunuuga lelei o auaunaga mo paaga uma, o tagata lautele, o le Malo, faapea le afaigaluega i nafa taoto o le Faalapotopotogao Mea Tau Fale o Samoa.

E anoanoa'i taumafaiga togia ua mae'a faatino ma taunuu i le lelei matagofie i lenei tausaga faaletupe 2019.

- E 16% ua siitia ai i le \$56.2 miliona tala, le aofaiga o nonogatupe i le 2019 mai i le tausaga ua tuanai ma o lo'o agai pea i luga.
- Ia o gatasi ma lea tuputupu a'e o le aofai o tupe nono atu, ua faapea ai foi ona fetuunai le siitia le aofai o tupe nono atu, i vaega ua atofaina le feagai ma le faasoa atu.
- E \$7.8 miliona tala le aofai o tupe maua i le 2019, e 13% ua siitia ai mai le 2018 ae \$5.9 miliona tupe faaalu e 4% ua siitia iai mai le 2018.
- O se polofiti maoa'e \$1.8 miliona tala na ausia i lenei tausaga 2019, o se faasiliga 55% faatusa i le tausaga ua mavae, o lo'o agai malosi pea i luma taumafaiga a le Faalapotopotoga e tosina mai ai ana paaga fou ma pisinisi faaauau.
- O se siitaga e 5% i ana tupe galue e faatusa i le 4% i le tausaga ua mavae, o lea lava 5% e sili a'e pe ana le seanoa le galue silasila i le fesoasoani i auaunaga mo le lautele, i le taofiofi i lalo o tului o tupe faaigaluega.
- E 8 fale ua mae'a faaleleia i se vaega tupe faaalu e \$289,775 i lenei tausaga faaletupe 2019.
- O le aofai e \$647,034 na maua mai i fale mautotogi e 7% le faasili mai i le tausaga ua tuanai. Ua siisii a'e ai foi i luga i le \$5.5 miliona tala le tau faaopoopo o nei lava aseta a le Malo mai i le \$3 miliona tala na tauaao mai ai i le Faalapotopotoga.

O le tuufaatasiga o paaga galue mo se Ofisa Tutotonu fou e aofia ai Matagaluega nei a le Malo, MPE, MNRE, MOF ma le MWTI e feiloai pea i fonotaga e una'i atinae atofaina ma ripoti taunuuga i le Kapeneta. E faapea lava foi ona tala'i gaoioiga a le Faalapotopotoga e siisii ae i luga ana taumafaiga ia ausia ma sili a'e taunuu o ana manulauti faapitoa i maota ma laoa o Samoa.

O se galuega taua tele ma moomia le tapenaga na faia ia o gatasi nafa faaopoopo fou i auaunaga a le Faalapotopotoga ma ana tulafono faavae. O lo'o tau faamae'a lea galuega ma ua taupati nei le Faalapotopotoga i ona nafa faaopoopo fou o fale mautotogi ma eleele o iai ia atinae, e pei ona moomia i tulafono a le Malo. Ua taoto taiala e taitaitama ai faiga lelei i le faafoeina o ona fale mautotogi, o faatupulaia le moomia o lea auaunaga.

E le o malolo le suesue ma saili matagi pea le Faalapotopotoga i ni punaoa i tua atu o faaunegatupe mo ni vaega tupe nono mai i tului mama mo se piliota faaumiumi atu. Ua feutagai nei ma le Faletupe Tutotonu o Samoa e faamatuu mai le galuega i le talia o teugatupe. O le agaga ia faalautele le auaunaga i tagata faigaluega o le atunuu, e fia fai paaga ma le Faalapotopotoga ia latou teugatupe mo le faamoemoe mo ni o latou fale mautu.

Ua i fale le matega ma le silasila mamao o le Pulega o le laasaga lelei talafeagai lea e la'a iai le Faalapotopotoga e faaauau ai lana tusaga o auaunaga lelei mo ona tagata ma ana paaga ua matu le tumu ua fia laa i luma le tautua mo Samoa.

Ua faapea lava ona faaauau le tapenaina o le afaigaluega ia mataalia i taimi uma, ia aua nei galo pe faatalale le silasila i lana auaunaga ma le tautua i le atunuu, ua fua mai ai i fua lelei lenei ausia o mea lelei i le 2019.

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to advise that Samoa Housing Corporation continues to grow strongly and deliver the required results for all of our stakeholders including our customers - the people of Samoa, the Government of Samoa and our staff.

The 2019 financial year was a successful one for Samoa Housing Corporation with several milestones being achieved.

- The total loans portfolio increased by 16% to \$56.2 million tala, a record level for lending as the demand for services grew substantially.
- New lending limits and delegation authorities have increased the capacity of Samoa Housing Corporation to attract more business and optimise its performance.
- Total income increased to \$7.8 million tala up 13% from 2018 while total costs increased to \$5.9 million tala or 4% from the previous year.
- A record profit of \$1.8 million tala has been achieved in 2019 a substantial 55% increase from the previous year as the Corporation continues to streamline its procedures and processes attracting business and increasing revenues.
- Return on equity was 5% compared to 4% in previous year although the real return on equity is more than 5% if we factor in our community service obligation bringing down interest rates to concessional levels.
- A further 8 houses were renovated at a total cost of \$289,775 during the 2019 financial year.
- Total income received from rental housing was \$647,034 or a 7% increase from the previous year. The capital value of rental housing has increased to \$5.5 million tala nearly double the value transferred from the previous administration of \$3.0 million tala.

A Taskforce for Samoa Housing Corporation's New Building Project comprising of its partners in Government Ministries such as MPE, MNRE, MOF and MWTI continues to meet to develop a building concept plan and advise the Cabinet on its progress. It is important that the Corporation address its own housing and office needs in the future as it continues to grow and develop while serving its mandate and core function.

The SHC Act 2010 is being amended to reflect government policy regarding the rental portfolio specifically its functions, authorities and responsibilities required for policy compliance. Hence its policy manual must be aligned to its legislative requirements.

Efforts are being made to further incorporate in the review of the legislation ways to access more funding at cheaper rates by changing the main source of external funding or borrowing long-term. SHC has therefore approached the Central Bank of Samoa to become a non-bank deposit taking institution (NBDTI) which would enable us to accept term deposits from the people of Samoa or from other institutions. We are confident that the public will view SHC as a safe place to deposit their money because of its long-standing stable reputation.

Investment in our staff through training and capacity building is important to us and high staff morale is predominant with minimal staff turnover.

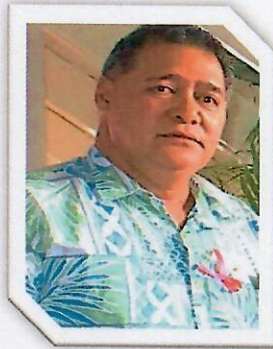
I congratulate all the stakeholders for their commitment and dedication that made 2019 a very successful year.



Matautia Rula Levi

CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS



Tuilaepa Eti Faolotoi
CHAIRMAN



Rev. Dr. Siaosi Salesulu
Director



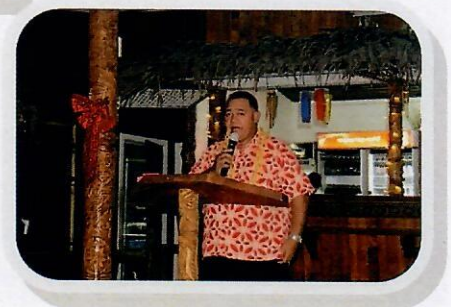
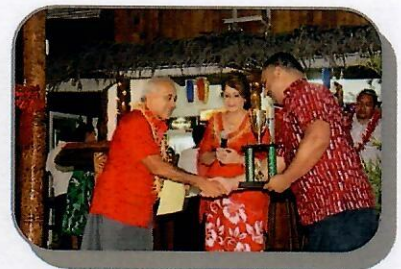
Tuiloma Sina Retzlaff
Director



Tuialii Ropeti Chan Cheuk
Director



Lauaki Jason Annandale
Director



MANAGEMENT



Matautia Rula Levi
Chief Executive Officer



Fulumoa Su'a
Assistant Chief Executive Officer



Leitufia Mati Luamanuvae
Manager Loans Operations



Seulu Aleki Afoa
Manager Finance & IT



Sautiamaivasa Titimaea Tiotio
Manager Corporate Services



Faaifoaso Alosio Leota
Manager Securities & Recoveries



Muaau Tamatoa Mariner
Manager Audit & Assurance



Presentation of SHCs monetary donation for the Mapuifagalele Old People's Home



Leadership Training Seminar



SAMOA HOUSING CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

**SAMOA HOUSING CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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Statement of Financial Performance	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 18

Please address all correspondences
to the Controller and Auditor General



AUDIT OFFICE

REPORT OF THE AUDIT OFFICE

TO THE GOVERNING BODY IN CHARGE OF GOVERNANCE – SAMOA HOUSING CORPORATION

Audit Opinion

We have audited the accompanying Financial Statements of the Samoa Housing Corporation which comprise the Statement of Financial Position as at 30 June 2019, the Statements of Financial Performance, Changes in Equity and Cash Flows for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Ah Chong, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Su'a Rimoni Ah Chong.

In our opinion, the financial statements give a true and fair view of the financial position of the Samoa Housing Corporation as at 30 June 2019, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with these International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

*Please address all correspondences
to the Controller and Auditor General*



AUDIT OFFICE

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors and Management regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations that we have required. In our opinion the Corporation has kept proper accounting records, as far as it appears from our examination of them and the financial statements of the Corporation also provide in the prescribed manner the information required by the Housing Corporation Act 2010 and the Public Bodies (Performance and Accountability) Act 2001.

Our audit was completed on the 10th October 2019 and our opinion is expressed as at that date.

Apia, Samoa
10 October 2019

Jaslyn T. Mariner-Leota
ASSISTANT CONTROLLER AND AUDITOR GENERAL

**SAMOA HOUSING CORPORATION
CERTIFICATION BY DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2019**

We certify that the attached financial statements for Samoa Housing Corporation comprising of the statement of financial position, statement of financial performance, statement of changes in equity, statement of cash flows and note to financial statements for the year ended 30 June 2019:

- a) give a true and fair view of the matters to which they relate; and
- b) have been prepared in accordance with International Financial Reporting Standards; and
- c) comply with the Public Finance Management Act 2001 and Companies Act 2001 (amendments 2015) in relation to the form or content of financial statements made under the Public Bodies (Performance and Accountability) Act 2001 (amendments 2015).

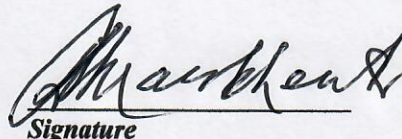
We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorize the attached financial statements for issue on / / on behalf of the directors of the Samoa Housing Corporation.



Signature

Tuilaepa Eti Faolotoi
CHAIRMAN
Samoa Housing Corporation
Apia, Samoa
10 / 10 / 19



Signature

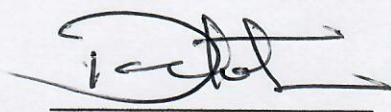
Tuialii Ropeti Chan Cheuk
DIRECTOR
Samoa Housing Corporation
Apia, Samoa
10 / 10 / 19

SAMOA HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019


	Notes	2019 \$	2018 \$
ASSETS			
Cash and cash equivalents	4	670,521	268,367
Other debtors and prepayments	5	40,640	34,202
Loans portfolio	7	45,225,382	39,127,746
Rentals portfolio	6	972	1,605
Property, plant and equipment	16	2,762,827	2,583,026
Investment Properties	16	5,505,529	5,516,358
TOTAL ASSETS		54,205,871	47,531,304
LIABILITIES			
Other creditors and accruals	13	3,541,940	399,418
Deferred income	14	380,800	406,456
Land loan deposit		27,273	50,510
Borrowings	9	16,509,244	14,778,308
TOTAL LIABILITIES		20,459,257	15,634,692
NET ASSETS		33,746,614	31,896,612
CAPITAL AND RESERVES			
Paid up capital	3	20,588,000	20,588,000
General reserve fund	10	9,313,653	8,111,152
Asset revaluation reserve	11	806,557	806,557
Reserve for Rental units repairs and construction	12	3,038,404	2,390,903
TOTAL CAPITAL AND RESERVES		33,746,614	31,896,612

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 7 to 18.

On behalf of the Board of Directors;


Director

Date: 10, 19 19


Director

Date: 10, 19 19

SAMOA HOUSING CORPORATION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
INCOME			
Interest on loans		6,021,214	5,316,763
Loan fees	17 (i)	1,026,775	841,542
Rental income	6	647,634	602,660
Other income	17 (ii)	83,289	148,325
TOTAL INCOME		<u>7,778,912</u>	<u>6,909,290</u>
EXPENSES			
Audit fees		33,720	33,900
Depreciation	16	500,716	486,936
Directors fees and expenses	23 (i)	96,473	95,046
Personnel costs	18	1,909,613	1,841,502
Occupancy costs	19	148,849	139,075
Administration expenses	20	621,150	848,030
Doubtful debts	6 & 8	1,752,143	1,480,085
Interest on borrowings	21	866,246	789,869
TOTAL EXPENSES		<u>5,928,910</u>	<u>5,714,443</u>
NET PROFIT		1,850,002	1,194,847
TRANSFER TO GENERAL RESERVE	10	<u>(1,850,002)</u>	<u>(1,194,847)</u>
		<u>\$Nil</u>	<u>\$Nil</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 7 to 18.

SAMOA HOUSING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Capital \$	General Reserve Fund \$	Asset Revaluation Reserve \$	Reserve for Rental units Repairs \$	Total \$
Balance at 30 June 2017		20,588,000	7,513,729	806,557	-	28,908,286
Profit for the period		-	1,194,847		-	1,194,847
Less: Dividend provided	15	-	(597,424)	-	-	(597,424)
Transfer from Dividend payable	12				2,390,903	2,390,903
Balance at 30 June 2018		<u>20,588,000</u>	<u>8,111,152</u>	<u>806,557</u>	<u>2,390,903</u>	<u>31,896,612</u>
Profit for the period		-	1,850,002	-	-	1,850,002
Less: Dividend provided	15	-	(647,501)	-	-	(647,501)
Transfer from Dividend payable	12	-	-	-	647,501	647,501
Balance at 30 June 2019		<u>20,588,000</u>	<u>9,313,653</u>	<u>806,557</u>	<u>3,038,404</u>	<u>33,746,614</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 7 to 18.

SAMOA HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers		20,981,870	19,139,651
Cash paid to customers		(17,839,423)	(15,269,204)
Cash paid for salaries and wages		(1,893,361)	(1,821,833)
Cash paid for other expenses		(1,058,766)	(1,139,049)
NET CASH INFLOW FROM OPERATING ACTIVITIES		190,320	909,565
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest from investments		19,171	796
Purchases of properties, plant & equipment		(669,688)	(447,091)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(650,517)	(446,295)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from SCB loan		3,000,000	2,000,000
Net repayments of loans		(2,065,910)	(2,130,996)
Interest on overdraft facility		(71,739)	(134,921)
NET CASH INFLOW(OUTFLOW) FROM FINANCING ACTIVITIES		862,351	(265,917)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		402,154	197,353
Cash and cash equivalents at beginning of year		268,367	71,014
CASH AND CASH EQUIVALENTS AT YEAR END		670,521	268,367
<i>Represented by :</i>			
Cash and cash equivalents	4	670,521	268,367
CASH AND CASH EQUIVALENTS AT YEAR END		670,521	268,367

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 7 to 18.

**SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. General Information

The Housing Corporation was established on May 1990 by an act of the legislature (Housing Corporation of Samoa Act 1989). The new legislation, Public Bodies (Performance and Accountability) Act 2001 overrules the initial Act. However, review of the Housing Corporation Act 1989 was approved by Parliament in 2010 as Housing Corporation's Act 2010 and is now enacted. The main purpose of the Corporation is to improve housing and living conditions of lower moderate income persons and families by lending monies on mortgage or other securities to assist to build, extend, renovate or purchase land for the purpose of building a home thereon.

The Cabinet at its meeting in May 2013 approved the transfer of Government Rental Portfolio under the Ministry of Work, Transport & Infrastructure to the Samoa Housing Corporation to operate as commercial rental properties.

The Corporation's operations are directed by a 5 - member board of directors. The Board are all appointed members from the private sector.

2. Statement of Significant Accounting Policies

Set out below is a summary of significant accounting policies adopted by the corporation in the preparation of its financial statements.

a) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Management Act 2001 which requires the adoption of International Financial Reporting Standards issued by the 'International Accounting Standards Board (IASB). These financial statements comply with International Financial Reporting Standards, including the new IFRS 9 - Financial Instruments; and IFRS 15 - Revenue from Contracts with Customers, which came into effect for reporting periods beginning on or after 1 January 2018. In accordance with section 91 of the Public Finance Management Act 2001, Samoa Housing Corporation is designated as a Public Body, therefore it must also satisfy the reporting requirements under the Public Bodies (Performance & Accountability) Act 2001.

b) Basis of preparation

The financial statements are prepared on the basis of historical costs except for land and building which have been revalued. Reporting financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period and future periods.

c) Comparative information

Comparative information has been restated where necessary to achieve consistency in disclosure with current financial year amounts.

d) Functional and presentation currency

The financial statements are presented in Samoan Tala (SAT\$), which is the corporation's functional currency and all values presented in Samoan Tala have been rounded to the nearest Tala.

e) Foreign currency

Transactions in foreign currency are translated to Samoan tala at the foreign exchange rate ruling at the date of the transaction. Amounts receivable and payable denominated in foreign currencies are translated at the rates of exchange ruling at balance sheet date. Foreign exchange differences arising on translation are recognized in the statement of financial performance.

f) Bad debts and provision for doubtful loans

Specific provision

The Corporation conducts a yearly review of individual loans accounts to recognize impairment on those loans with reasonable doubt that not all the principal and interest can be recovered in accordance with terms and conditions of the loan agreement. Bad debts are written off against the provision for doubtful debts in the period in which they are identified as unrecoverable.

2. Statement of Significant Accounting Policies (cont'd)

f) Bad debts and provision for doubtful loans (cont'd)

General provision

The Corporation also take into account the fact that a portion of receivable balances may not be recovered due to unforeseen circumstances. Therefore, it may be prudent to create a general allowance for doubtful debts in addition to the specific allowance. The general allowance is calculated on the basis of past experience concerning recoverability of debts.

g) Revenue recognition

Interest income

Interest income on loans and investments are recognized on accruals basis. Interest on impaired loans is recognized only when income is received.

Loan fees

Loan fees are recorded when they are earned. Fees on impaired loans are recognized only when income is received.

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant operating lease.

h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short term deposits with maturities less than one year.

i) Loans and other receivables

Loans and other receivables are recorded at fair value after providing for bad and doubtful debts or credit losses. At the end of each reporting period, the carrying amounts of loans and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statement of financial performance.

j) Fair value estimation

Fair value is determined as follows:

- Cash assets are carried at fair value;
- Receivables are carried at book value, which is the best estimate of fair value as they are settled within a short period;
- Loans are net of provisions for impairment.

k) Financial assets

The Corporation classifies its financial assets in the following categories; loans & receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not categorized in any of the other categories.

l) Provisions

A provision is recognized in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2. Statement of Significant Accounting Policies (cont'd)

m) Accounts and other payables

Accounts payable and other payables are recognized at cost and represent liabilities for goods and services provided to the corporation before the end of the financial year that are unpaid and arise when the corporation becomes obliged to make future payments in respect of the purchase of these goods and services.

n) Property, plant and equipment

Items of property, plant and equipment are measured at cost and/or valuation less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the values of assets less their residual values over their estimated useful lives, using the straight-line method. All direct costs attributable to acquisition of assets have been capitalized. The following rates are used for the depreciation of property, plant and equipment:-

Building	2.5%
Motor vehicles	20%
Office furniture	20%
Office equipment	10% & 33%
Computer software	33%
SHC Logo	5%
Rental units	3% & 5%
Rental others	33%

o) Dividends

Dividends are recognized as a liability in the period in which they are due and payable pursuant to the Public Bodies (Performance & Accountability) Regulations 2002. However, pursuant to Cabinet approval FK (16) 39 dated 25 October 2016, the dividend relating to 2013 through to 2018 are now to be retained and transfer to a reserve for the repairing of rental units of the Corporation.

p) Borrowing costs

All borrowing costs are recognized in the statement of financial performance in the period in which they are incurred.

q) Employee benefits

The corporation contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognized immediately in the statement of financial performance.

Liabilities for employees' entitlements to salaries and wages, annual leave and other current employee entitlements (that are expected to be paid within twelve months) are accrued at undiscounted amounts, and calculated at amounts expected to be paid as at reporting date.

r) Taxation

The Corporation is exempt from tax under section 51 of the Housing Corporation Act 2010.

s) Leases

Lessor leases are treated as finance leases where the term of the lease represent a substantial part of the life of the asset and there is an option to buy, at the end of the lease and ownership passes. For all Lessee leases the Right of use asset, and the related lease liability are taken up at initial recognition at present value of the lease liability over the lease term, and then the liability payments are allocated between interest and liability reduction while the asset is depreciated over the term of the lease. The exceptions are, when the lease term is 12 months or less or the values involved are small, and where rentals are recognised on the straight line basis.

t) Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation. Rental Units of the Corporation are accounted for as investment properties and depreciated in accordance with the useful lives of the properties. They are initially recognised at cost and valued using the cost model.

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. Authorized and Paid up Capital

	2019	2018
	\$	\$
Authorized and paid up capital (10,000,000 shares of \$1 each)	10,000,000	10,000,000
Additional paid up capital (7,500,000 shares of \$1 each)	7,500,000	7,500,000
Additional capital - Government housing	3,088,000	3,088,000
Total capital (Government of Samoa)	20,588,000	20,588,000

The authorized capital of the Corporation can only be subscribed to by the Government of Samoa as per section 22 of the Housing Corporation Act 2010. Government housing is the total value of 73 Government rental houses transferred to Samoa Housing Corporation as per Cabinet approval under section 32 of the Housing Corporation Act 2010.

4. Cash and Cash Equivalents

Term deposit & Share Units

	2019	2018
	\$	\$
ANZ Bank (Samoa) Ltd - Term Deposit	55,091	54,288
Unit Trust of Samoa (UTOS) - Share Units	300,000	-
	355,091	54,288

Cash at bank and on hand:

ANZ Bank (Samoa) Ltd	19,819	7,986
ANZ Bank (Samoa) Ltd - ADRA	22,195	7,991
National Bank of Samoa	12,849	5,606
Samoa Commercial Bank	181,855	125,546
Samoa Commercial Bank - Rental Properties	37,816	52,347
Bank South Pacific	37,241	9,831
Bank South Pacific - Rental Properties	1,055	2,172
Petty Cash Fund	2,600	2,600
Total term deposits and cash balances	670,521	268,367

Term deposit details:

ANZ Bank (Samoa) Ltd

Term	: 1 Month
Interest rate	: 1.5%
Maturity date	: 22 July 2019
Term deposit at ANZ Bank is used to secure master card.	

Share Units details;

Unit Trust of Samoa

Number of Units	183,679
Unit price	\$1.63

5. Other Debtors and Prepayments

	2019	2018
	\$	\$
Savaii Office Bond	600	600
Back up Storage Bond	220	220
Prepayments	39,820	33,382
Total other debtors and prepayments	40,640	34,202

6. Rental Portfolio

	2019	2018
	\$	\$
Opening balance	9,443	15,122
Add: Total rent charged for the year	647,634	602,660
	657,077	617,782
Less: Rental payments	(602,701)	(550,858)
Rental payments receive in advance	(48,656)	(57,481)
	5,720	9,443
Less: Provision for doubtful rental	(4,748)	(7,838)
Net rental portfolio	972	1,605

Provision for Doubtful Debts Rental

Balance at the beginning of the year	7,838	12,551
Less: Recovery doubtful debts	(3,090)	(4,713)
Balance at year end	4,748	7,838

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

7. Loans Portfolio

	2019	2018
	\$	\$
Total loans portfolio as at year end	56,246,340	48,431,643
Less: Provision for doubtful loans (<i>refer to note 8 below</i>)	(11,020,958)	(9,303,897)
Net loans portfolio	<u>45,225,382</u>	<u>39,127,746</u>

Loans are recognized at their recoverable values, after assessing provisions for impairment. Loans are restructured when the borrower is granted concession due to continuing difficulties in meeting the original terms and conditions.

8. Provision for Doubtful Debts Lending

	2019	2018
	\$	\$
Balance at the beginning of the year	9,303,897	7,944,012
Add: Additional provision	1,755,233	1,484,798
	11,059,130	9,428,810
Less: Write offs charged against provision	(38,172)	(124,913)
Balance at year end	<u>11,020,958</u>	<u>9,303,897</u>

9. Borrowings

	2019	2018
	\$	\$
Loans:		
Central Bank of Samoa		
(i) Loan 1	1,115,876	1,410,350
(ii) Loan 2	1,020,725	1,254,193
(iii) Loan 3	1,515,010	1,827,706
(iv) Loan 4	3,340,119	3,604,806
Total	<u>6,991,730</u>	<u>8,097,055</u>
Unit Trust of Samoa		
(i) Loan	4,567,430	4,704,792
Samoa Commercial Bank		
(i) Loan	4,950,084	1,976,461
Total borrowings	<u>16,509,244</u>	<u>14,778,308</u>

Loan details:

Central Bank of Samoa

(i) Loan 1:

Term : 10 years
Interest rate : 3%
Monthly repayment : \$33,185
Security : Government support

(ii) Loan 2:

Term : 10 years
Interest rate : 3%
Monthly repayment : \$26,717
Security : Government support

Unit Trust of Samoa

(i) Loan:

Term : 20 years
Interest rate : 7.5%
Monthly repayment : \$40,280
Security : Government guarantee

(iii) Loan 3:

Term : 10 years
Interest rate : 3%
Monthly repayment : \$36,226
Security : Government support

(iv) Loan 4:

Term : 15 years
Interest rate : 1%
Monthly repayment : \$29,925
Security : Government support

Samoa Commercial Bank

(i) Loan:

Term : 16 months
Interest rate : 9%
Monthly repayment : \$51,000
Security : 1st mortgage over property at Matafele with building. Lot 945, Plan 6399

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

10. General Reserve Fund

	2019	2018
	\$	\$
Opening reserve fund balance	8,111,152	7,513,729
Transfer from statement of financial performance	1,850,002	1,194,847
Less: Dividend provided	(647,501)	(597,424)
Total general reserve fund	9,313,653	8,111,152

Section 29 of the Housing Corporation Act 2010 requires the Corporation to establish and maintain a general reserve fund.

11. Assets Revaluation Reserve

Description	Original cost	Acc.dep at 31/07/2015	Net Amount	Revalued Amount	2019	2018
	\$	\$	\$	\$	\$	\$
Land	412,000	-	412,000	637,000	225,000	225,000
Building	1,453,161	(347,718)	1,105,443	1,687,000	581,557	581,557
	1,865,161	(347,718)	1,517,443	2,324,000	806,557	806,557

A valuation of land and building was made on 16 July 2015 by a licensed valuer and has increased the revaluation reserve from \$321,182 in 2015 to \$806,557.

12. Reserve for Rental units Repairs and Renovations

	2019	2018
	\$	\$
Opening balance	2,390,903	1,793,479
Transfer from dividend payable (Note 15)	647,501	597,424
Total reserve fund	3,038,404	2,390,903

Actual Costs compared to Reserve:

Opening balance of accumulated Rental units renovations and repair costs	3,789,783	2,861,647
Add: Costs of renovations and repairs for the year on Rental Units	431,453	928,136
Closing balance of accumulated Rental units repairs and renovations	4,221,236	3,789,783

Reserve balance surplus/(deficit)	(1,182,832)	(1,398,880)
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The above dividends have been put aside as a reserve, to cover for rental units renovations plus new units to be build in the future. This proposal was approved by Cabinet per FK(16)39 dated 25 October 2016 to retain dividends from FY:2013-2014 up to FY: 2018-2019 for the stated reasons. Accumulated costs of renovations and repairs exceed the reserve balance as at 30 June 2019 by \$1,182,832 (2018: \$1,398,880).

13. Other Creditors and Accruals

	2019	2018
	\$	\$
Accruals	78,431	61,228
Provision for audit fees	30,710	27,700
Other creditors	168,228	119,458
Provision for long service & retirement benefit	9,833	25,405
Loan debtors credit balance	12,815	21,908
Rental bonds	98,725	86,238
Rental debtors credit balance	48,656	57,481
Unearned interest on loans	3,094,542	-
Total other creditors and accruals	3,541,940	399,418

**SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

13. Other Creditors and Accruals (cont'd)

Other creditors:

Other creditors includes leave entitlement benefits accruing to employees are measured at their present values using the relevant remuneration rates, stamp duty payable to Ministry of Finance and unidentified and unclaimed payments held by the Corporation.

Master card:

Master card limit is NZ\$20,000 at ANZ Bank (Samoa) Ltd and is secured by \$55,092 term deposit. The Master Card liability at 30 June 2019: \$Nil

Provision for long service benefit:

Provision for long service benefit account for the Corporation's obligation to its long serving employees as specified in the Human Resource Manual

The provision to be recognized at the year end is determined on the basis of present value calculation taking into account the number of years in service.

Rental bonds:

These are bonds for rental units held by the Corporation.

14. Deferred Income

					2019 \$	2018 \$
Deferred income balance					380,800	406,456
Description	Opening Balance	Amount Amortised	Monthly	Remaining Months	Balance	
(i) Funds received (Habitat)	109,000	6,056	3,028		-	6,056
(ii) Cost of renovation unit #9	350,000	17,500	1,458	216	315,000	332,500
(iii) Cost of renovation unit #64	70,000	2,100	175	376	65,800	67,900
	529,000	25,656	4,661		380,800	406,456

(i) The account above are funds received from Habitat of Humanity NZ to assist the operation of ADRA loan scheme. This project runs for 3 years commencing from 2 September 2015 to 2 September 2018. The total funds expected from Habitat of Humanity to assist the operation of ADRA project for 3 years of \$109,000 have been fully received by the Corporation.

(ii) The total cost of \$350,000 above relates to renovation of unit # 9 now called Ulalei Lodge carried out by Kereti Ah Liki. The term of this agreement is 10 years with a monthly commercial rate of \$2,000.

(iii) The above cost of \$70,000 relates to renovation of unit # 64 now called Mama Janes carried out by Kokobanana Bar & Grill. The term of this agreement is 10 years with a monthly commercial rate of \$2,000.

15. Dividend Payable

The Public Bodies (Performance and Accountability) Regulations 2001 Schedule 6 paragraph 6.2.1(d) specifies that the annual report shall include "the dividend payable by the Public Body to the State for the financial year to which the report relates". Furthermore, Schedule 7 (paragraph 25.2) requires "a company to pay dividend in accordance with the Government's dividend policy as advised by the Financial Secretary from time to time". In May 2005, the Chief Executive Officer, Ministry of Finance advised that Public Trading Bodies would be accountable for a dividend of 50% of Net profit after tax. A new Cabinet decision FK(18) 25 in August 2018 directed that this rate is now to be 35% of Net Profit after tax.

In October 2016, Cabinet approved the Corporation's proposal to retain all dividends from FY:2013-2014 to FY:2018-2019 as a reserve to cover all renovation costs incurred for the remaining units plus building of new rental units. Therefore, dividends for FY2013-2014 to FY2018-2019 have been transferred to Reserve as per Note 12.

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

15. Dividend Payable (cont'd)

	Net Profit	2019	2018
	\$	\$	\$
Opening balance		-	-
Financial Years: 30 June 2018	50%	1,194,847	-
30 June 2019	35%	1,850,002	597,424
		647,501	-
Transfer to reserve (Note 12)		(647,501)	(597,424)
Total dividend payable to Government		-	-

16. Property, Plant and Equipment & Investment Properties

	Building	Computer Software	Land	Motor Vehicles	Office Equipment	Office Furniture	SHC Logo	Rental Units	Rental Others	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost and Valuation										
Balance as at 30 June 2018	1,687,000	155,840	637,000	757,704	311,597	89,132	9,760	6,512,949	14,592	10,175,574
Additions	-	35,962	273,293	-	68,280	3,650	-	288,503	-	669,688
Disposals	-	-	-	-	(30,775)	-	-	-	-	(30,775)
Balance as at 30 June 2019	1,687,000	191,802	910,293	757,704	349,102	92,782	9,760	6,801,452	14,592	10,814,487
Accumulated Depreciation										
Balance as at 30 June 2017	80,830	132,372	-	484,055	383,406	59,070	4,881	723,875	10,317	1,878,806
Depreciation	42,175	9,561	-	97,972	34,342	11,196	488	290,252	950	486,936
Disposals	-	-	-	(93,537)	(174,018)	(4,460)	-	(17,537)	-	(289,552)
Balance as at 30 June 2018	123,005	141,933	-	488,490	243,730	65,806	5,369	996,590	11,267	2,076,190
Balance as at 30 June 2018	123,005	141,933	-	488,490	243,730	65,806	5,369	996,590	11,267	2,076,190
Depreciation	42,175	17,245	-	87,001	41,915	10,875	489	299,333	1,683	500,716
Disposals	-	-	-	-	(30,775)	-	-	-	-	(30,775)
Balance as at 30 June 2019	165,180	159,178	-	575,491	254,870	76,681	5,858	1,295,923	12,950	2,546,131
Written Down Value										
Balance as at 30 June 2018	1,563,995	13,907	637,000	269,214	67,867	23,326	4,391	5,516,359	3,325	8,099,384
Balance as at 30 June 2019	1,521,820	32,624	910,293	182,213	94,232	16,101	3,902	5,505,529	1,642	8,268,356

Investment properties comprise - Rental Units: \$ 5,505,529 5,516,358
Properties, Plant and Equipments: 2,762,827 2,583,026
Total Written Down Value: 8,268,356 8,099,384

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

17. Income	2019	2018
<i>(i) Loan fees</i>	\$	\$
Application fees	95,943	74,529
Documentation fees	89,255	78,730
Service fees	191,886	149,059
Arrears fees	395,780	307,836
Maintenance fee	253,911	231,388
	<u>1,026,775</u>	<u>841,542</u>
<i>(ii) Other income</i>		
Interest - term deposit	19,171	797
Deferred income	25,656	55,936
Gain on sale of fixed asset	-	35,000
Other income	38,462	56,592
	<u>83,289</u>	<u>148,325</u>
18. Personnel Costs	2019	2018
<i>Details of personnel costs are specified as follows:</i>	\$	\$
Salaries & wages	1,542,518	1,468,179
NPF contribution 7%	107,977	102,772
ACC contribution 1%	15,426	14,681
	<u>1,665,921</u>	<u>1,585,632</u>
Other staff costs	243,692	255,870
Total personnel costs	<u>1,909,613</u>	<u>1,841,502</u>
The number of staff employed by the Corporation as at year end were 39 (2018: 38). Other staff costs includes staff benefits payments such as long services leave, retirement benefits, higher duty allowance, staff bonus and reimbursements of staff tuition fees.		
19. Occupancy Costs	2019	2018
<i>Details of occupancy costs are specified as follows:</i>	\$	\$
Electricity	44,963	46,129
Water	3,113	3,137
Rent	57,324	51,397
Telephone	43,449	38,412
Total occupancy costs	<u>148,849</u>	<u>139,075</u>
20. Administration Expenses	2019	2018
<i>Details of administration expenses are specified as follows:</i>	\$	\$
Advertising & promotion	20,899	37,533
Allowances	28,390	25,842
Office expenses	129,309	148,793
Stationeries	18,440	26,203
Insurance	27,036	29,361
Repairs and maintenance	198,095	326,170
Motor vehicle running expenses	70,115	62,281
Staff training & meetings	128,866	128,253
Loss on disposal	-	63,594
Total administration expenses	<u>621,150</u>	<u>848,030</u>
21. Interest on Borrowings	2019	2018
<i>Details of interest on borrowings are specified as follows:</i>	\$	\$
Interest on overdraft	71,739	134,921
Interest on CBS loans	155,205	188,922
Interest on UTOS loan	371,018	355,660
Interest on SCB loan	268,284	110,366
Total interest on borrowings	<u>866,246</u>	<u>789,869</u>

Interest on overdraft is now included under interest on borrowings to be consistent with the presentation of the Bank Overdraft as borrowing; in nature.

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

22. Segment Reporting

For management purposes, the Corporation is organised into two reporting segments based on its products and services as follows:

i) Lending

The lending segment, lends out money on mortgage and other securities to assist improve housing and living conditions of lower and moderate income earners and families.

ii) Rental

The rental segment provides best quality with affordable rental units rates at Vaiala & Taumeasina, Fagalii-uta and Moto'otua areas, to the public.

The following tables provide information on income, expenses, profit or loss, assets and liabilities in two segments of the Corporation:

	Lending	Rental	Consolidated
	\$	\$	\$
Revenue	7,131,278	647,634	7,778,912
Expenses			
Audit fees	28,635	5,085	33,720
Depreciation	199,699	301,017	500,716
Directors fees and expenses	82,216	14,257	96,473
Personnel costs	1,848,613	61,000	1,909,613
Occupancy costs	131,558	17,291	148,849
Administration expenses	370,739	250,411	621,150
Doubtful debts	1,755,233	(3,090)	1,752,143
Interest on borrowings	795,114	71,132	866,246
Total expenses	5,211,807	717,103	5,928,910
Profit/ loss	1,919,471	(69,469)	1,850,002
Capital expenditures	381,185	288,503	669,688
Property, plant and equipment	2,761,186		2,761,186
Investment Properties		5,507,170	5,507,170
Assets	48,658,858	5,547,013	54,205,871
Liabilities	19,370,918	1,088,339	20,459,257
Net assets	29,287,940	4,458,674	33,746,614
Capital and reserves			
Capital	17,500,000	3,088,000	20,588,000
Reserves	9,858,774	3,299,840	13,158,614
Total capital and reserves	27,358,774	6,387,840	33,746,614

23. Related Party Transactions

i) Directors compensation

Directors costs of \$96,473 (2018: \$95,046) were paid during the year including directors fees, sitting allowance, catering for board meeting, gift and donation for former directors and other board expenses.

Directors' fees allowances as follows:

Chairman	- Annual fee \$22,500	(2018 : \$22,500)
Member	- Annual fee \$18,000	(2018 : \$18,000)

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
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23. Related Party Transactions (cont'd)	2019	2018
<i>Directors and executive management compensation</i>	\$	\$
Directors fees	87,413	87,413
Other board expenses	9,060	7,633
Total directors compensation	96,473	95,046
 ii) Key management personnel costs		
<i>The remuneration of key management personnel during the year were as follows:</i>		
Salaries and short term employment benefits	632,772	594,920
<i>Employers contribution to:</i>		
National provident fund	44,294	41,644
Accident compensation commission	6,328	5,949
Total key management personnel costs	683,394	642,513

iii) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

24. Financial Instruments

This section outlines the Corporation's exposure to financial risks and describes the methods used by management to control and monitor these risks. The major risks are credit risk, fair values, market risk, liquidity risk and operational risk.

a) Credit risk

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the Corporation.

The Corporation has adopted a policy of dealing with creditworthy customers except when otherwise required by government for public beneficial reasons, and obtaining sufficient collateral where appropriate, as a means of mitigating the risks of financial loss from defaults. The Corporation exposure and the credit ratings of its customers are continuously monitored and the aggregate value of transactions concluded is spread amongst approved customers. Credit risk is closely monitored by the Lending Division and Securities and Recoveries Division through regular independent reviews designed to test the quality of credit exposures and to ensure compliance with Corporation policies.

b) Fair values

All financial instruments are carried at fair values.

c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and cash flows and matching the maturity profiles of financial assets and liabilities.

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's involvement with financial instruments, including processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

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24. Financial Instruments (cont'd)

f) Operational risk (cont'd)

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

25. Commitments

a) Lease commitments

(i) Meilin & Bill Choi

Not later than one year

Due after one year but not later than five years

(ii) Samoa Land Corporation

Not later than one year

Due after one year but not later than five years

(iii) Ministry of Natural Resource and Environment

Not later than one year

Due after one year but not later than five years

(iv) Samoa Land Corporation

Not later than one year

Due after one year but not later than five years

Lease commitments

	2019	2018
	\$	\$
	27,600	27,600
	110,400	82,800
	<u>138,000</u>	<u>110,400</u>
	8,280	8,280
	33,120	24,840
	<u>41,400</u>	<u>33,120</u>
	2,500	-
	10,000	-
	<u>12,500</u>	<u>-</u>
	728	-
	2,912	-
	<u>3,640</u>	<u>-</u>
	<u>195,540</u>	<u>143,520</u>

All lease commitments totalling \$195,540 are due within 5 years (\$39,108 per year) and therefore insignificant with the Meilin & Bill Choi lease regarded as a 12 month term lease on a lease to lease basis. Therefore exemption provided under IFRS 16 is used and lease rental incomes are recognised on a straight line basis.

(i) Meilin & Bill Choi

In May 2016, the Corporation started leasing Meilins Mall second floor to extend its operation due to limited space at its main office. The lease is \$2,300 (vagst inclusive) per month.

(ii) Samoa Land Corporation

Savaii branch has been relocated to Salelologa Market starting from June 2016. The lease is \$690 per month

(iii) Ministry of Natural Resource and Environment

The Corporation is now paying \$2,500 per annum to Ministry of Natural Resources for the lease of various lands on which the 73 Rental Units situated.

(iv) Samoa Land Corporation

In 2019, the Corporation started leasing a 1 acre land at Salelologa from Samoa Land Corporation. The lease is \$728 per annum.

b) Capital and other commitments

The directors are not aware of any other commitments, capital or otherwise, not provided for in the accounts for year ended 30 June 2019. (2018: SAT\$nil).

26. Contingent Liabilities

The directors are not aware of any contingent liabilities at year end. (2018: SAT\$nil).