

ANNUAL REPORT 2023



"HELPING OUR MOST VULNERABLE PEOPLE"

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OFFICE OF THE MINISTER
SAMOA HOUSING CORPORATION

The Honorable Speaker
Legislative Assembly of Samoa
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 30th June 2023.

Ma le fa'aaloalo lava,

A handwritten signature in blue ink, likely of Afioga Hon. Leatinuu Wayne Soialo. The signature is stylized and cursive, written over a horizontal line.

Afioga Hon. Leatinuu Wayne Soialo
MINISTER FOR PUBLIC ENTERPRISES

SAMOA HOUSING CORPORATION

MANDATE

The Samoa Housing Corporation is a Public Enterprise that was established pursuant to the provisions of the Housing Corporation Act 1989 repealed in 2010 with its principal function of lending money on mortgages or other security for the purposes of building, renovating, extending and completing residential homes or to assist the borrower to acquire land for residential purposes. Pursuant to the new legislation Housing Corporation Act 2010, the Corporation undertakes further responsibilities of managing 75 Government rental properties commercially, effective July 2013.

The Corporation being a Public Trading Entity is required to comply with the requirements as stipulated in the following Legislations such as the Housing Corporation Act 2010, Public Finance and Management Act 2001, Public Bodies (Performance and Accountability) Act 2001, Companies Act 2001, Labour and Employment Relations Act 2013.

SHC operations are also guided by priority areas as identified in the Pathway for the Development of Samoa 2021-2026; most notably Key Priority Area 1: Alleviating Hardship, as well as reference to Cabinet Directives and Central Bank supervisory/banking guidelines.

VISION

“To be the active leader of affordable financing of housing and lands, and to offer competitive rental housing rates”.

MISSION

“Our commitment is to offer affordable housing and land financing to improve the quality of life through access to better shelters and ownership of freehold properties. We strive to offer competitive rental rates. We endeavor to be innovative, professional, simplify our processes and make effective use of technology to enhance profitability to satisfy all our stakeholders.”

OUR VALUES

Our core values are the foundation of our work in the Corporation. They guide our staff in everything we do and shape the way we operate as an organization.

- **Honesty and integrity** – we value honesty and integrity and they encompass the core of our operations.
- **Transparency and accountability** – clear and open decision making while holding decision-makers to account, which leads to sound and good governance.
- **Respect** – Staff accepting each other’s different points of view and background to allow staff to interact freely and exchange opinions which develops harmony and unity within the workplace.
- **Impartiality** – Fair and objective decision making within all areas and equal treatment of everyone including staff and clients.
- **Team work** – Team work improves efficiency and productivity, fosters communication and builds strong work relationship.

CHAIRPERSON'S REPORT

I am pleased to provide the Samoa Housing Corporation's (SHC) Annual Report for FY2023.

FY2023 has been a challenging year with the continued impact of the health pandemics, namely the measles outbreak in October 2019 followed closely by COVID-19 in March 2020, and the subsequent closure of Samoa's borders to international visitors from March 2020 until August 2022 (a period of 29 months).

Achievements

Despite these challenges, SHC recorded a net profit of \$1.33 million. This is a reduction of \$1.28 million or 49% compared to FY2022. The reduced profit is attributable to a substantial increase in expenses, namely – additional staff costs, increase in NPF contributions, increase in administration expenses, and increase in interest due to new loans.

The SHC Loans Portfolio increased by 8% from \$68.73 million in FY2022 to \$74.46 million in FY2023. The value of loans approved also increased by 15% from \$23.51 million in FY2022 to \$26.96 million in FY2023, confirming a strong demand for this service being offered by SHC.

SHC completed building five (5) new rental units - 2 x 2-bedroom units, and 3 x 3-bedroom units, at Moto'otua. This ¼ acre site originally had one unit on it which was destroyed by fire in 2018. The decision by the SHC Board to build five units on this site was commercially driven. The increased forecast in rental income from the five new units is \$86,400 per annum compared to \$10,200 per annum for one unit.

Another significant achievement is the opening of the new SHC headquarters on Convent Street, in May 2023. Prior to this, SHC occupied two buildings - owned premises (29 staff) and leased premises (12 staff). The new headquarters will comfortably accommodate 46 staff, as well as a large reception area on the Ground Floor consisting of teller counters, interview rooms, and a large waiting area to better serve SHC clients. The old SHC office will be leased out to generate additional income for the corporation.

Challenges

SHC continues to face challenges in meeting its mandate under the Housing Corporation Act (to improve housing affordability for low-income earners) vs meeting its obligations under the Public Bodies (Performance and Accountability) Act (to be a profitable business). Some of these challenges include competition with commercial financial institutions and limited access to cheaper finance. Another significant challenge for SHC is managing a substantial inherited government housing portfolio with aging stock, most of which require major renovations to make them safe and habitable, without an allocated government budget.

The corporation's new corporate plan will address the above issues and identify new initiatives.

The Board

In FY2023, Samoa Housing welcomed two new directors to the board – Sili Elizabeth Chan Tung-Peters and Lauano Lauina Grace. Long serving directors Tuilaepa Eti Faaolotoi, Tuialii Ropeti Chan Cheuk, Alaiasa Schwartz Hunt and Saveatama Sosefina Tualaualelei retired during the year. Our retiring directors have been integral to the ongoing success of Samoa Housing, and I wish them well.

Our People

SHC appointed Sautiamaivasa Titimaea Tiotio as its new CEO in March 2023 following the resignation of long serving CEO Matautia Rula Levi in February 2023.

I would like to acknowledge the SHC Management and Staff for the remarkable work they do every day to help achieve SHC's goals as a government SOE.

Ma le faaaloalo lava,



Lauano Lauina Grace

MADAM CHAIR

CHIEF EXECUTIVE OFFICER'S REPORT

It is indeed my pleasure to present this report on the SHC performance, achievements and developments of Financial Year 2022/2023.

1. LOANS OPERATIONS

1.1 Loans Portfolio

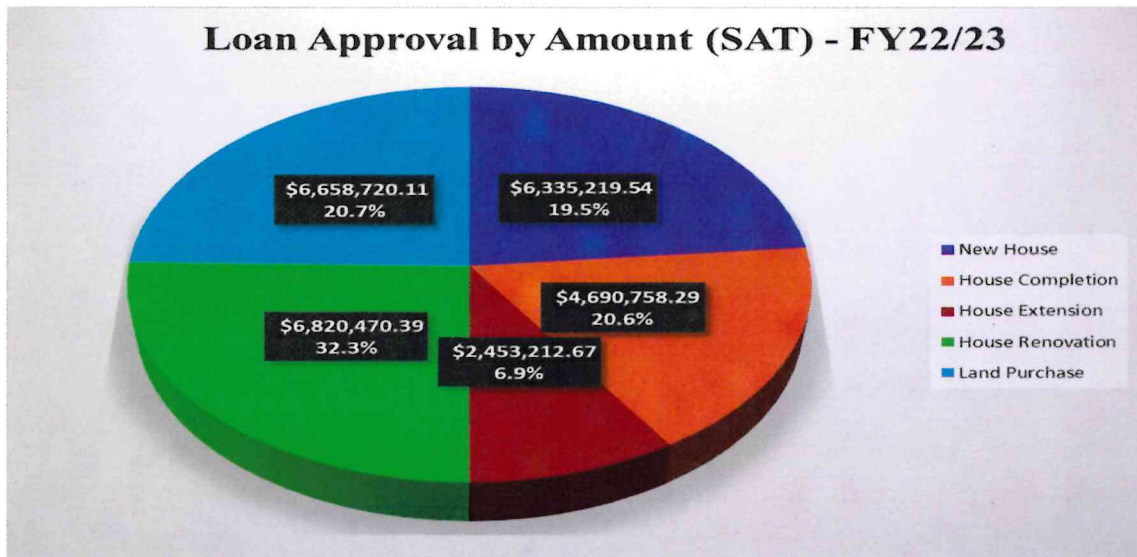
Details	Value (\$ M)		No. of Accounts	
	2023	2022	2023	2022
Personal Guarantees	38.33	37.42	2,621	2,591
Mortgaged Loans	36.13	31.31	504	501
Total Portfolio	\$74.46	\$68.73	3,125	3,092
Upolu	68.62	63.20	2,516	2,537
Savaii	5.84	5.53	609	555
Total Portfolio	\$74.46	\$68.73	3,125	3,092

As of 30 June 2023, the loans portfolio is valued at \$74.46M, an 8.3% (or \$5.7M) increase from Financial Year 2021/2022. The total loans portfolio amount represents a total of 3,125 households assisted by SHC. 33 new accounts (1.1% of total number of accounts) were recorded in FY 2022/2023 with the growth attributed to increased loan approvals and disbursements in terms of both value and number.

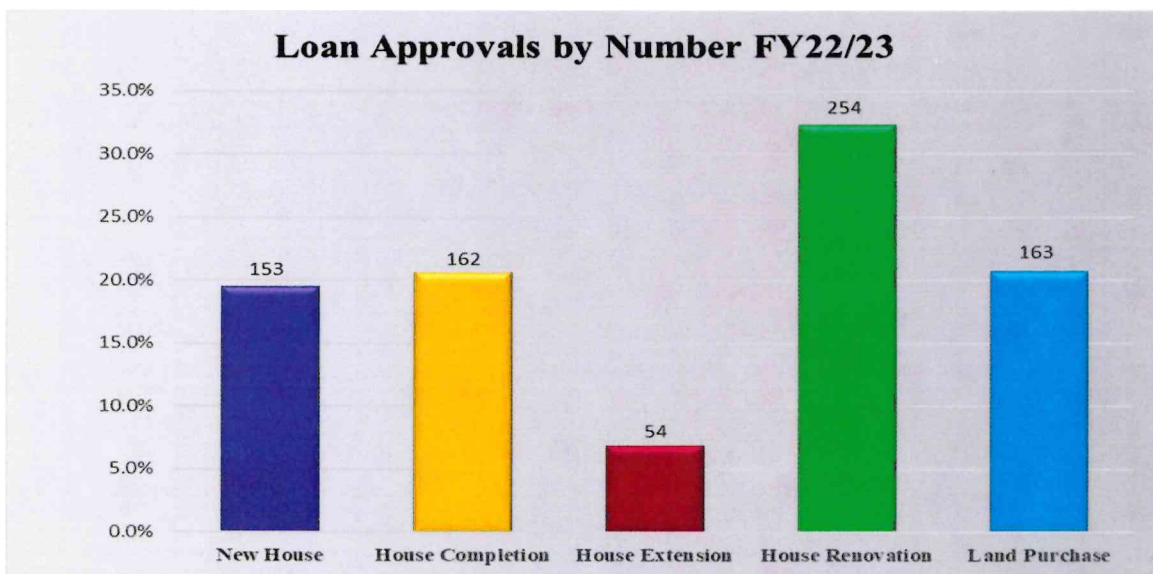
Personal Guarantees is \$38.33M which is 51.4% of the loans portfolio while mortgage loans constitute 49.6% (or \$36.13M in value). The Headquarters in Apia manages 2,516 loan accounts with a value of \$68.62M; while the Savaii Office oversees 609 loan accounts with a total value of \$5.84M.

A range of factors determines the distribution of financial assistance. These include: the population distribution, level of purchasing power, and the demand for housing developments and land ownership to build homes. The determining factors ensure our financial assistance is allocated where it is most needed and can make the most impact.

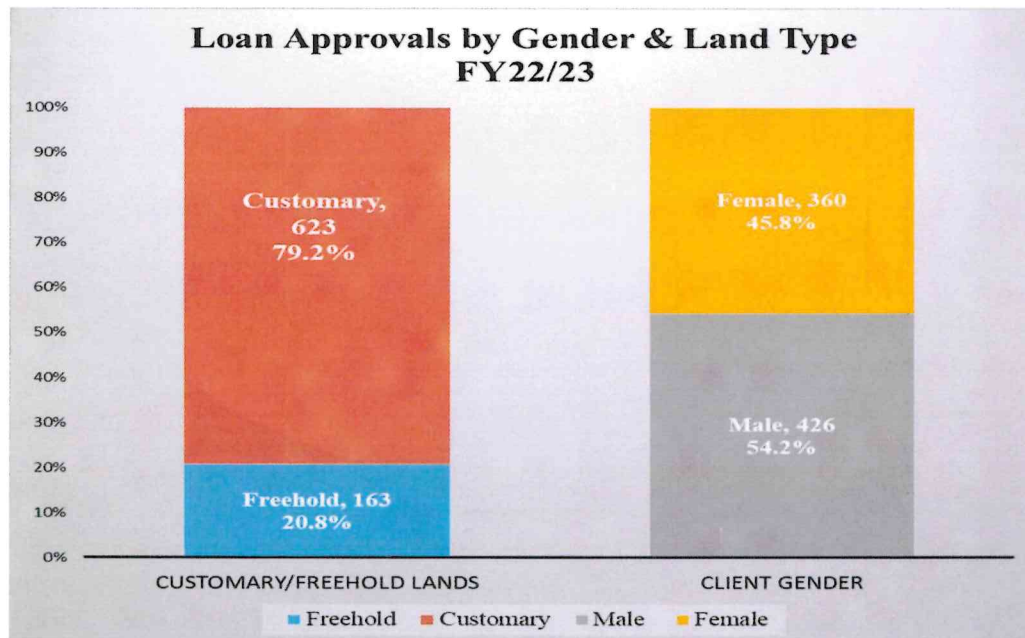
1.2 Loan Approvals



786 new loans valued at \$26.96M were approved in FY 22/23. Of this \$26.96M, \$6.34M was disbursed to build new houses; \$4.69M to complete new houses already constructed but could not be completed for various reasons; \$2.45M to extend existing houses to accommodate for the increase in number of family members residing in these homes; \$6.82M to renovate existing homes; and \$6.66M for procurement of land.



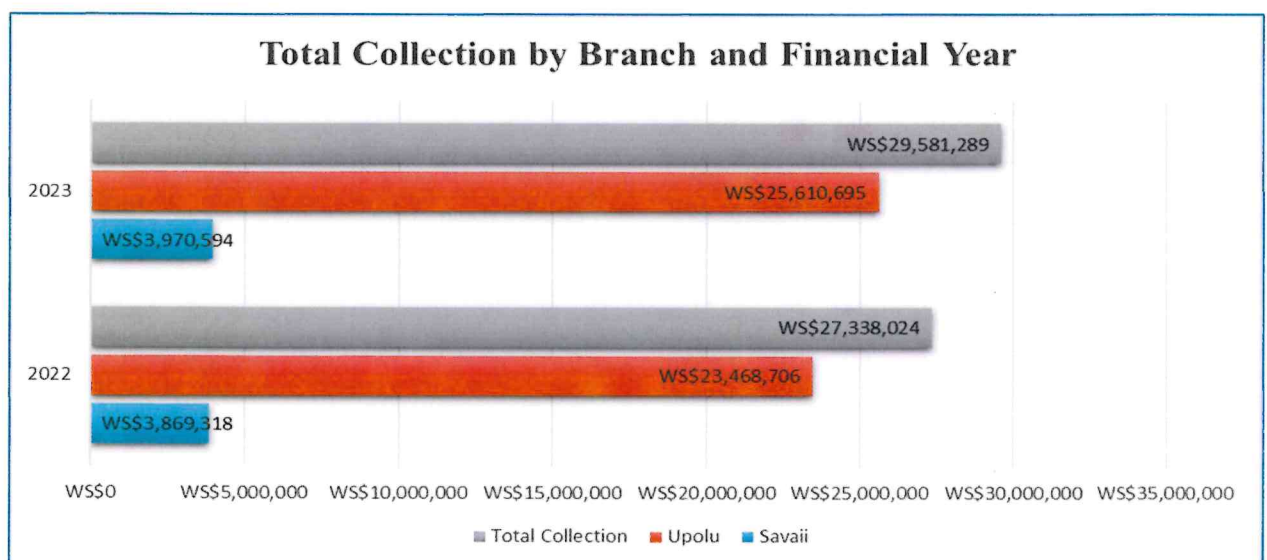
The above graph represents the number of households assisted over the FY22/23 period and the purposes for which loans were used. 153 families built new houses, 162 families completed house construction, 54 families sought financial assistance for home extensions, 254 families needed funds for home renovations, and 163 families bought freehold lands.



623 projects were implemented on customary lands, while 163 (or 20.8%) were on freehold properties. Of the 786 who applied for loans, 426 (or 54.2%) were male, and 360 (or 45.8%) females. Only three, or 0.4%, of new applications were rejected as they did not meet the minimum repayment and security requirements, to guarantee the recoverability of Corporation funds.

The \$5.7M increase in loan disbursement over the FY2022/2023 period proves how hard SHC is striving to meet the high demand on its lending services and its attempt to satisfy every application from the public, to assist improve their standard of living through adequate shelter.

1.3 Loans Collection



The total loan collection was \$25.6M compared to \$23.5M in FY2021/2022, representing an increase of 8.9% or \$2.1M. The increase in collection resulted from the growth of the total loans portfolio and the Corporation's continued efforts to strengthen its collection and debt recovery strategies in line with good governance and financial stability.

2. RENTAL PROPERTIES PORTFOLIO

Original number of units transferred from the MWTI in 2013	75
Number of units pulled down	6
Number of new units built	5
Transferred unit(s) (MJCA)	1
Total Rental Units	73

In 2013, the Cabinet transferred ownership and management of 75 government rental units previously managed by the Ministry of Works, Transport & Infrastructure to SHC. Since then, six units have been demolished as they were not in a recoverable state of repair. A Cabinet Directive, F.K 22(41), was issued October 2022 directing SHC to transfer unit 49 at Motootua to the Ministry of Courts and Administration. This unit had previously been the residence of the former Chief Justice. Prior to its handover to the MJCA, SHC spent a significant amount (over \$200,000) on renovations before the official transfer.

Five new units (2 x 2-bedroom and 3 x 3-bedroom units) valued at \$539,804.42 were constructed in October 2022 on the 1/4 acre land at Motootua. This land had previously contained a one 3 bedroom unit which was destroyed by a fire in 2018. The main intention of the initiative is to maximise the potential use of land to build more units to increase rental revenue. As a result, we now earn a total monthly income of \$7,200 from these 5 new units compared to only \$850 per month that was earned from the single 3-bedroom unit.

As the 2023 financial year concluded, our records indicated 73 units valued at \$6.23M with a 95.9%, occupancy rate. The total rental collection was \$669,943.00, while expenditure for maintenance and construction of new units was \$865,391.33, highlighting a loss of \$195,448.33 for FY 2022/23.

3. OVERVIEW OF FINANCIAL RESULTS

Extract of Financial Performance	2023 \$	2022 \$
Interest on loans	7,402,516	7,274,563
Rental income	690,040	682,410
Other income	1,404,031	1,357,337
Total income	9,496,587	9,314,310
Interest on borrowings	1,515,739	1,160,794
Personnel costs	2,901,868	2,509,254
Depreciation	539,038	536,716
Doubtful debts	1,762,508	1,613,921
Other expenses	1,445,588	884,616
Total expenses	8,164,741	6,705,301
Net profit	1,331,846	2,609,009

The gross revenue has increased by \$182,277 (2.0%) from 2022 as a result of increased interest from loans, fees earned from loans, interest from investments and rental income. Total expenditure also increased by \$1,459,440 (21.8%) from last year as a result of major movements to some expenses such as personnel costs, advertising & promotion, office expenses, occupancy costs, repairs & maintenance, staff trainings & conferences, doubtful debts and interest on borrowings. The net profit reduced by \$1,277,163 (or 49.0%) compared to Financial Year 2021/2022 due to increased expenses.

4. STAFF

The end of FY2022/2023 shows a total of 48 employees, 6 of whom are based at our Savaii Office. We take pride in our balanced gender composition, with 26 females and 22 males, reflecting our commitment to gender equality.

SHC strengthened its organizational structure to facilitate the rapid growth in the loans portfolio by splitting the Loans Division into two sections; the Upolu West and Upolu East divisions. This initiative was introduced after thirty-three years of operation. The move necessitated the promotion of one of the senior loan officers as a manager for Upolu East. The aim was twofold: to (i) create career paths and (ii) encourage competitiveness amongst staff to improve service delivery in order to achieve and sustain high performance and productivity.

Throughout the year, we continued to provide in-house refresher training programs on follow-up and customer service, policies, loan appraisal, arrears and portfolio management. Some of our staff participated in external local and overseas trainings, improving their skills in leadership, information technology and audit procedures. Our commitment to staff training, up-skilling and development remains unwavering in order to enhance staff capacity, capabilities and improve service delivery to meet the Corporation's goals and objectives.

On February 24 2023, SHC's longest-serving CEO, Mrs Matautia Rula Levi, who had been at the helm for over 18 years of consecutive services, resigned. My appointment as the new administrative head for the next three years, commenced in March 2023.

5. SHC NEW HEADQUARTERS

The opening of SHC's new headquarters in May 2023 marked a significant milestone in the Corporation's history. The new office building resolved the concern over limited office space and a healthy and safe working environment for staff and most importantly, to serve our customers and members of the public. The new building also strengthens the Corporation's asset base, brings cost-saving benefits and reduced operational expenses of paying for an extra leased office space.

The Corporation opted for a new office building with a total capital cost of \$4.2M, as opposed to the initially planned concept of \$54.6M, at the current RSA location. This decision was a strategic move by the Corporation. It not only resulted in a saving of \$50.4M, it also reduced the possibility of putting the Corporation into further debt. This decision demonstrates our commitment to financial prudence, strategic investments and reducing the risk of a 'trickle-down' effect on our borrowers.

6. CHALLENGES AND REMEDY ACTIONS

6.1 Loans and Rental Arrears

The ongoing issue of loan arrears is always a big challenge for the Corporation. This is a common factor for any lending institution. Factors contributing to arrears include the vulnerability of the market we serve, unforeseen loss of employment due to post-Covid-19 impacts, migration of borrowers under the Samoan Quota and Seasonal Workers Schemes, and the persistent impacts of global conflicts leading to inflation and

heightened living costs. These external factors collectively affect the financial stability of clients and their families to repay their loans.

The Corporation's response to these challenges was to strengthen its risk assessment on loan applications and improve loan recoverability strategies. These strategies include the issuance of Departure Prohibition Orders for borrowers identified under the Quota Scheme and Seasonal Work as part of our response in reducing the risk of borrowers departing without prearranged agreements with the Corporation.

We remain committed to our mandate of helping those in need and achieve this by assisting clients facing difficulties by mapping out repayment schedules that are beneficial to both parties; negotiating favorable arrangements in order to manage their debt balances and keeping arrears at a reasonable levels. At the end of the financial year, the Corporation kept its arrears at \$2.03M, equivalent to 2.7% of the total loan portfolio, which is below the industrial benchmark of 3%.

6.2 Government Rental Housing Portfolio

In 2013, the management of the Government Rental Housing portfolio was assigned to SHC with the aim of transforming the rental housing portfolio into a commercial operation. The portfolio had been managed by MWTI since 2003. 92% of the 75 (or 69) houses under this portfolio were in a deteriorating state while the remaining 8 % (or 6) were deemed unrecoverable. The assignment of the portfolio to SHC without an accompanying budget incurred high capitalizations and maintenance cost on the Corporation, which far exceeded rental income collection. .

The loss from rental operations forced the Corporation to rely on external financing from UTOS, SNPF and SCB, exposing the Corporation to additional debt commitments. Aside from adding further debt on the Corporation, the need for ongoing maintenance and emergency works, demolition of unlivable and unrecoverable houses and construction of replacement houses remains a challenge. The Corporation remains committed to its mandate of providing safe and comfortable rental premises at a competitive market price, but is also cognizant of the urgent need to alleviate forecasted debts on the Corporation.

One of the Corporation's short term responses to this challenge was to build multiple units on vacant land to increase the rental stock and boost income. A long-term aspiration to alleviate financial pressure on the Corporation is to have land titles of the leasehold lands transferred from MNRE to SHC. This will enable the Corporation to implement broader developments beyond lease agreement constraints.

6.3 SHC's Mandate under its Act vs. Public Bodies Act 2001

Shelter is a basic human necessity. Building better and healthier homes promotes economic growth and improves our people's standard of living. The challenge however is the fine balance between assisting the low to middle-income population with their housing needs as prescribed in the SHC Act 2010 and the need for SHC to be profitable business, as prescribed in the Public Bodies Act.

The profit-oriented approach and high-risk requirements for profitability often exclude the low-income population. To address this, SHC must access concessional interest rate loans from the government through the Central Bank of Samoa's Financial Inclusion Credit Line Facilities. The Corporation also needs to be included in the government's annual budget allocation through the Ministry of Finance.

These funds would greatly assist the Corporation in fulfilling its mandate and increase low-income earners' accessibility to the Corporation's financial services; to meet housing needs, improve housing standards and build resilience of communities against climate change impacts. These are key priority areas outlined in the Pathway for the Development of Samoa. Accessing concessional interest rate loans would assist the Corporation contribute to achieving PDS priority areas, meet SHC mandate but also meet the profitability requirements of the Public Bodies Act.

6.4 International Financial Reporting Accounting Standard 9 (IFRS9)

The Corporation has received a Qualified Audit Opinion for two consecutive years due to noncompliance with IFRS9 accounting standard. The IFRS9 is new and has changed the methodology for assessing the Provision for Bad and Doubtful Debts. Management has sought assistance from the Audit Office and local public accountants in securing a

qualified local consultant to implement and conduct trainings for adopting IFRS 9 to resolve the qualified audit opinion but was unsuccessful.

As a short term strategy, the Corporation is looking at sending relevant staff overseas for IFRS9 capacity-building training programs as they become available. Although it will incur additional costs on SHC, the commitment is crucial to address auditing compliance issues, enhance transparency, accountability and promote good governance.

ACKNOWLEDGEMENT

I would like to document my sincere appreciation to the Hon. Minister Leatinuu Wayne Soialo, former Chairman and Board of Directors, Management and staff for your support, hard work, commitment and dedication. Having stepped into this position only March 2023, that support has resulted in another successful year for our Corporation, albeit many challenges.

A special welcome is extended to our newly appointed Madam Chair and Board of Directors. I look forward to the wealth of experience, new skills and insights they bring that are certain to play a pivotal role in delivering and meeting the desired goals of the Corporation.

Finally, my most sincere gratitude to Matautia Rula Levi, the Corporation's previous CEO. Matautia devoted 18 years of her working life, relentlessly serving the Corporation with great vision and passion. Thank you for your services and invaluable contributions to the Samoa Housing Corporation and the people of Samoa.

Soifua ma ia Manuia.



Sautiamaivasa Titimaea Tiotio
Chief Executive Officer

BOARD OF DIRECTORS



Lauano Lauina Grace
MADAM CHAIR



Sili Elizabeth Chan Tung-Peters
Director



Su'afaiga Henry Joseph Fruean
Director



Leaupepe Satui D. Bentin
Director



Falesaopule Seimaleula Vaialia Iosua
Director

MANAGEMENT



Sautiamaivasa Funefeai Titimaea Tiotio
CHIEF EXECUTIVE OFFICER



Leitufiaoatua Mati Luamanuvae
Manager Loan Operations (West)



Muagututagata Anesi Faalafi
Manager Loan Operations (East)



Seulu Aleki Afoa
Manager Finance & IT



Faaifoaso Alosio Leota
Manager Securities & Recoveries



Tagaloa Akenese Fepuleai
Manager Corporate Services



Muaau Tamatoa Mariner
Manager Audit & Assurance



Magele Liligi Faanunu
Manager Savaii Branch



Siaki Lelevaga
Manager Corporate Properties

SHC NEW BUILDING

SAMOA HOUSING CORPORATION



SAMOA HOUSING CORPORATION 2023 STAFF



Rev. Metotisi Leiataua , Hon. Leatinuu Faumuina Wayne So'ialo
(Minister of Commerce, Industry and Labour)



Tuilaepa Eti Faaciloti , Hon. Laauli Leuatea Polataivao Fosi
(Minister of Agriculture)



Tuiloma Ramourner Fong, Hon. Olo Fiti Afoa Vaai
(Minister of Works, Transport and Infrastructure)



Sili Elizabeth Chan Tung-Peters (SHC Director), Lauana Grace (SHC Madam Chair)



Sautiamaivasa Funefeai Titimaea Tiotio (CEO) , To'uala Elita To'uala (CEO MPE) , Tevaga Viane Tagiilima (CEO UTOS)

PROJECTS



SAOLUAFATA
(HOUSE RENOVATION)



TUFULELE
(HOUSE COMPLETION)



TOAMUA
(NEW LAND)



MALIE
(HOUSE EXTENSION)



PESEGA
(NEW HOUSE)

PROJECTS



SAMOA HOUSING CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

**SAMOA HOUSING CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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AUDIT OFFICE

Please address all correspondences
to the Controller and Auditor General

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 (the Corporation) which comprise the Statement of Financial Position as at 30 June 2023, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended 30 June 2023 and notes to the financial statements, including a Summary of Significant Accounting Policies. The Accounting Firm of BDO, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Hanalei Betham.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Samoa Housing Corporation as at 30 June 2023, 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 Qualified Opinion

Samoa Housing Corporation is currently in the process of implementing the new accounting standard IFRS 9 'Financial Instruments' given the complexity of the new accounting standard. IFRS 9 requires the loan loss provisioning to be determined using a three-stage expected credit loss model and has new disclosure requirements related to loans and financial instruments. Therefore, we are unable to express any assurance on the relevant balances for loans as at year end in accordance with the requirements of IFRS 9.

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 Samoa Housing Corporation in accordance with the International Ethical Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the director's report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Those Charged with Governance for the Financial Statements

Management is 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



AUDIT OFFICE

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to the Controller and Auditor General*

determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.
- 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 those charged with governance regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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to the Controller and Auditor General*

AUDIT OFFICE


Report on Other Legal and Regulatory Requirements

In our opinion the financial statements have been prepared in accordance with and complies with the requirements of:

- i. Public Finance Management Act 2001 (and amendments)
 - a. We have been given all information, explanations and assistance necessary for the conduct of the audit; and
 - b. The Corporation has kept financial records sufficient to enable the financial statements to be prepared and audited.

Our audit was completed on the 25th January 2024 and our opinion is expressed as at that date.

Apia, Samoa
20 February 2024


Roseanne Faau
DIRECTOR PUBLIC BODIES AUDIT

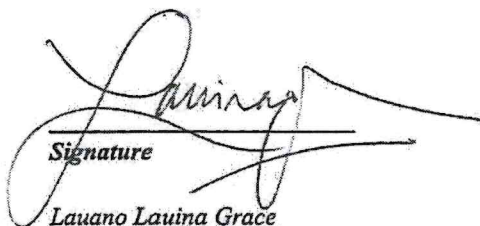
**SAMOA HOUSING CORPORATION
CERTIFICATION BY DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2023**

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 2023:

- 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 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

Lauano Lauina Grace
CHAIRMAN
Samoa Housing Corporation
Apia, Samoa
16/2/2024



Signature

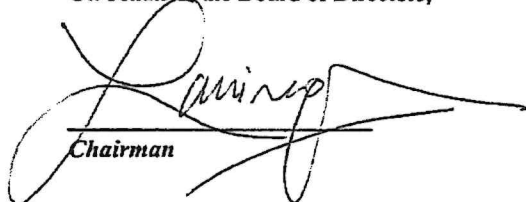
Sili Elizabeth Peters
DIRECTOR
Samoa Housing Corporation
Apia, Samoa
16/02/2024

SAMOA HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 \$	2022 \$
ASSETS			
Cash and cash equivalents	5	281,309	1,465,894
Other debtors and prepayments	6	145,940	144,641
Equity investment at fair value through profit and loss	7	2,328,346	2,667,196
Loans portfolio	9	57,330,467	53,345,920
Rentals portfolio	8	7,137	3,350
Property, plant and equipment	17	7,007,874	5,271,298
Investment properties	17	6,079,630	5,605,178
TOTAL ASSETS		73,180,703	68,503,477
LIABILITIES			
Overdraft facility	11(b)	1,737,001	1,208,111
Other creditors and accruals	14	3,628,869	4,845,554
Deferred income	15	302,416	322,012
Land loan deposit		242,589	160,629
Dividend payable	16	2,240,037	2,473,891
Borrowings and overdraft facility	11(a)	25,573,109	20,902,298
TOTAL LIABILITIES		33,724,021	29,912,495
NET ASSETS		39,456,682	38,590,982
CAPITAL AND RESERVES			
Paid up capital	4	20,838,000	20,838,000
General reserve fund	12	17,812,125	16,946,425
Asset revaluation reserve	13	806,557	806,557
TOTAL CAPITAL AND RESERVES		39,456,682	38,590,982

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 11 to 24.

On behalf of the Board of Directors;


Chairman

Date: 16, 2, 2024


Director

Date: 16, 02, 2024

**SAMOA HOUSING CORPORATION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
INCOME			
Interest on loans		7,402,516	7,274,563
Loan fees	18 (i)	1,204,117	1,118,651
Rental income	8	690,040	682,410
Other income	18 (ii)	199,914	238,686
TOTAL INCOME		9,496,587	9,314,310
EXPENSES			
Audit fees		47,481	45,196
Depreciation	17	539,038	536,716
Directors fees and expenses	24 (i)	97,372	101,490
Personnel costs	19	2,901,868	2,509,254
Occupancy costs	20	153,107	151,961
Administration expenses	21	1,147,628	585,969
Doubtful debts	10	1,762,508	1,613,921
Interest on borrowings	22	1,515,739	1,160,794
TOTAL EXPENSES		8,164,741	6,705,301
NET PROFIT		1,331,846	2,609,009
TRANSFER TO GENERAL RESERVE	12	(1,331,846)	(2,609,009)
		\$Nil	\$Nil

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 11 to 24.

SAMOA HOUSING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Capital \$	General Reserve Fund \$	Asset Revaluation Reserve \$	Total \$
Balance at 30 June 2021		20,838,000	15,250,569	806,557	36,895,126
Additional capital		-	-	-	-
Profit for the period		-	2,609,009	-	2,609,009
Less: Dividend declared	16	-	(913,153)	-	(913,153)
Balance at 30 June 2022		<u>20,838,000</u>	<u>16,946,425</u>	<u>806,557</u>	<u>38,590,982</u>
Profit for the period		-	1,331,846	-	1,331,846
Less: Dividend declared	16	-	(466,146)	-	(466,146)
Balance at 30 June 2023		<u>20,838,000</u>	<u>17,812,125</u>	<u>806,557</u>	<u>39,456,682</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 11 to 24.

**SAMOA HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers		31,292,328	27,338,024
Cash paid to customers		(28,293,865)	(21,485,622)
Cash paid for salaries and wages		(2,755,365)	(2,537,642)
Cash paid for other expenses		(2,450,560)	(903,871)
NET CASH INFLOW FROM OPERATING ACTIVITIES		(2,207,462)	2,410,889
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest from investments		122,209	156,914
Purchases of properties, plant & equipment		(2,754,057)	(3,524,404)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(2,631,848)	(3,367,490)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from NPF loan		1,000,000	-
Proceeds from UTOS loan		5,000,000	-
Net repayments of loans		(2,650,714)	(3,110,495)
Interest on overdraft facility		(223,451)	(3,748)
NET CASH INFLOW FROM FINANCING ACTIVITIES		3,125,835	(3,114,243)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,713,475)	(4,070,844)
Cash and cash equivalents at beginning of year		257,783	4,328,627
CASH AND CASH EQUIVALENTS AT YEAR END		(1,455,692)	257,783
<i>Represented by :</i>			
Cash and cash equivalents	5,11(b)	(1,455,692)	257,783
CASH AND CASH EQUIVALENTS AT YEAR END		(1,455,692)	257,783

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 11 to 24.

**SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. General Information

Samoa 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, and IFRS 16 - Leases, which came into effect for all reporting periods beginning on or after 1 January 2019. 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. The general mode used is consistent with that in IFRS 9. Bad debts are written off against the provision for doubtful debts in the period in which they are identified as unrecoverable.

**SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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 in the recoveries portfolio (in litigation) are recognized only when income is received.

Loan fees

Loan fees are recorded when they are earned. Fees on impaired loans in litigation 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.

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 2019 were retained and transferred 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 recognized 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 recognized at cost and valued using the cost model.

**SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

3. Critical Accounting Judgements, Estimates and Assumption

The preparation of the financial statements requires management to make judgements, estimates and assumption that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recognition of Government Housing as an asset of the Corporation

The F.K. dated 10th July 2013, transferred the management of the houses to the Corporation. The Corporation has taken the view that the Corporation has its responsibilities to maintain and operate the rental houses as well as receiving rental income. Therefore, the Corporation have recognised the government housing as an asset to their financial statements as it effectively controls the property. The value of the government housing was initially recognised in the books of the Corporation at the market valuation amount and is subject to an annual impairment assessment.

Lease of Government Properties

As part of assuming control and management of Government's housing assets, the Corporation has also signed long term land lease arrangement with the Ministry of Natural Resources and Environment for the land on which Government houses are located.

The lease rates for rental properties are considered immaterial and have adopted the low value exemption allowed under IFRS 16 'Leases' and therefore, has elected not to recognise a right of use asset.

4. Authorized and Paid up Capital

	2023	2022
	\$	\$
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
Additional capital - Government assistance	250,000	250,000
Total capital (Government of Samoa)	20,838,000	20,838,000

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. Additional capital injected is the Government support fund for covid-19 pandemic to assist the Corporation operations during this unexpected situation.

5. Cash and cash equivalents

	2023	2022
	\$	\$
<i>Term deposit</i>		
ANZ Bank (Samoa) Ltd - Term Deposit (a)	56,940	56,661
	56,940	56,661
<i>Cash at bank and on hand:</i>		
ANZ Bank (Samoa) Ltd	37,245	695,099
ANZ Bank (Samoa) Ltd - ADRA	1,733	122,724
National Bank of Samoa	10,965	69,632
Samoa Commercial Bank - Rental Properties	29,985	276,599
Bank South Pacific	133,154	225,415
Bank South Pacific - Rental Properties	8,687	17,164
Petty Cash Fund	2,600	2,600
Total cash and cash equivalents	281,309	1,465,894

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

5. Cash and cash equivalents (cont'd)

Term deposit details:

(a) ANZ Bank (Samoa) Ltd

Term	: 1 Month
Interest rate	: 0.5%
Maturity date	: 01 July 2023
Term deposit at ANZ Bank is used to secure master card.	

6. Other debtors and prepayments

	2023	2022
	\$	\$
Savaii Office Bond	600	600
Back up Storage Bond	220	220
Prepayments	39,789	21,893
Accrued revenue	104,645	121,928
Other debtor	686	-
Total other debtors and prepayments	145,940	144,641

7. Equity investment at fair value through profit and loss

	2023	2022
	\$	\$
Unit Trust of Samoa (No. of units 1308059, withdraw unit price \$1.78)	2,328,346	2,667,196

The Unit Trust uses the exit price at the end of the reporting period.

8. Rentals Portfolio

	2023	2022
	\$	\$
Opening balance	19,704	8,060
Add: Total rent charged for the year	690,040	682,410
	709,744	690,470
Less: Rental payments	(613,207)	(615,979)
Rental payments receive in advance	(54,554)	(54,787)
	41,983	19,704
Less: Provision for doubtful rental	(34,846)	(16,354)
Net rental portfolio	7,137	3,350
Provision for Doubtful Debts Rental		
Balance at the beginning of the year	16,354	6,690
Add: Additional (Recovery) doubtful debts for year	18,492	9,664
Balance at year end	34,846	16,354

9. Loans Portfolio

	2023	2022
	\$	\$
Total loans portfolio as at year end	74,455,152	68,726,589
Less: Provision for doubtful loans (<i>refer to note 10</i>)	(17,124,685)	(15,380,669)
Net loans portfolio	57,330,467	53,345,920

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.

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

10. Provision for Doubtful Debts Lending	2023	2022
	\$	\$
Balance at the beginning of the year	15,380,669	13,817,720
Add: Additional provision	1,744,016	1,604,257
	<u>17,124,685</u>	<u>15,421,977</u>
Less: Write offs charged against provision	-	(41,308)
Balance at year end	<u>17,124,685</u>	<u>15,380,669</u>
Doubtful debts		
Rentals doubtful debts for year (<i>refer note 8</i>)	18,492	9,664
Loans doubtful debts for the year	1,744,016	1,604,257
Total doubtful debts for rental and loans	<u>1,762,508</u>	<u>1,613,921</u>
11. Borrowings and Overdraft Facility	2023	2022
(a) <i>Loans:</i>	\$	\$
<i>Central Bank of Samoa</i>		
(ii) Loan 2	-	127,559
(iii) Loan 3	-	317,173
(iv) Loan 4	2,033,435	2,370,361
Total	<u>2,033,435</u>	<u>2,815,093</u>
<i>Unit Trust of Samoa</i>		
(i) Loan 1	7,045,376	7,188,098
(ii) Loan 2	4,949,038	-
Total	<u>11,994,414</u>	<u>7,188,098</u>
<i>Samoa National Provident Fund</i>		
(i) Loan 1	10,515,260	10,899,107
(ii) Loan 2	1,030,000	-
Total	<u>11,545,260</u>	<u>10,899,107</u>
Total borrowings	<u>25,573,109</u>	<u>20,902,298</u>
 (b) <i>Overdraft Facility:</i>		
Samoa Commercial Bank Ltd	<u>1,737,001</u>	<u>1,208,111</u>

(a) <i>Loan details:</i>	CBS	SNPF		UTOS	
	Loan 4	Loan 1	Loan 2	Loan 1	Loan 2
Term	15 years	20 years	15 years	25 years	20 years
Interest Rate	1.0%	6.0%	8.0%	6.0%	7.5%
Monthly Repayment	29,925	85,975	28,670	47,470	40,280
Security	Government support	1st mortgage over property at Matafele. Lot 945, Plan 6399 plus leasehold properties at Fagalii, Vaiala and Motootua.	1st mortgage over property at Matafele. Lot 945, Plan 6399 plus leasehold properties at Fagalii, Vaiala and Motootua.	Government guarantee and units held with UTOS.	1st mortgage over property at Matafele. Lot 500, Plan 2533.

(b) *Overdraft facility details:*

Term	: 3 months
Interest Rate	: 9%
Security	: 1st mortgage over property at Matafele. Lot 500; Plan 2533.

**SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

12. General Reserve Fund	2023	2022
	\$	\$
Opening reserve fund balance	16,946,425	15,250,569
Transfer from statement of financial performance	1,331,846	2,609,009
Less: Dividend provided	(466,146)	(913,153)
Total general reserve fund	17,812,125	16,946,425

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

13. Assets Revaluation Reserve

Description	Original cost	Acc.dep at 31/07/2015	Net Amount	Revalued Amount	2023	2022
	\$	\$	\$	\$	\$	\$
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.

14. Other creditors and accruals	2023	2022
	\$	\$
Accruals	85,190	94,748
Provision for audit fees	40,800	31,400
Other creditors	358,075	282,934
Provision for long service & retirement benefit	40,339	34,195
Loan debtors credit balance	205,320	35,039
Rental bonds	112,620	99,233
Rental debtors credit balance	54,553	54,787
Unearned interest on loans	2,731,972	4,213,218
Total other creditors and accruals	3,628,869	4,845,554

Other creditors:

Other creditors includes leave entitlement benefits accruing to employees 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 \$56,940 term deposit. The Master Card liability at 30 June 2023: \$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.

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

15. Deferred Income

	2023	2022
	\$	\$
Deferred income balance	<u>302,416</u>	<u>322,012</u>

Description	Original Balance	Amount Amortised	Monthly	Remaining Months	Balance	
(i) Cost of renovation unit #9	350,000	69,992	1,458	168	244,944	262,512
(ii) Cost of renovation unit #64	70,000	8,400	175	328	57,472	59,500
	<u>420,000</u>	<u>78,392</u>	<u>1,633</u>		<u>302,416</u>	<u>322,012</u>

(i) 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 20 years with a monthly commercial rate of \$1,000 and will remain until March 2025 after which will increase to \$2,000 per month.

(ii) 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.

16. 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.

			Net Profit	2023	2022
			\$	\$	\$
Opening balance				2,473,891	1,560,738
Financial Years:	30 June 2022	35%	2,609,009	-	913,153
	30 June 2023	35%	1,331,846	466,146	-
				<u>2,940,037</u>	<u>2,473,891</u>
Less: Dividend payments				(700,000)	
Total dividend payable to Government				<u><u>2,240,037</u></u>	<u><u>2,473,891</u></u>

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

17. Property, Plant and Equipment & Investment Properties

	Land \$	Building \$	Motor Vehicles \$	Computer Software \$	Office Equipment \$	Office Furniture \$	SHC Logo \$	Rental Units ** \$	Rental Others \$	Total \$	
Cost and Valuation											
Balance as at 30 June 2022	2,588,559	2,627,009	880,712	221,220	510,721	116,048	9,760	7,851,062	28,520	14,833,611	
Additions	-	1,543,379	120,231	-	211,331	54,437	11,638	813,041	-	2,754,057	
Disposals	-	-	-	-	(109,655)	(1,060)	-	-	-	(110,715)	
Balance as at 30 June 2023	2,588,559	4,170,388	1,000,943	221,220	612,397	169,425	21,398	8,664,103	28,520	17,476,953	
Accumulated Depreciation											
Balance as at 30 June 2021	-	249,530	663,561	203,416	354,054	89,150	6,836	1,919,667	14,205	3,500,419	
Depreciation	-	42,175	76,752	11,804	67,401	5,112	486	326,217	6,769	536,716	
Disposals	-	-	(80,000)	-	-	-	-	-	-	(80,000)	
Balance as at 30 June 2022	-	291,705	660,313	215,220	421,455	94,262	7,322	2,245,884	20,974	3,957,135	
Balance as at 30 June 2022	-	291,705	660,313	215,220	421,455	94,262	7,322	2,245,884	20,974	3,957,135	
Depreciation	-	42,175	76,075	5,466	63,332	6,206	488	338,589	6,707	539,038	
Disposals	-	-	-	-	(105,664)	(1,060)	-	-	-	(106,724)	
Balance as at 30 June 2023	-	333,880	736,388	220,686	379,123	99,408	7,810	2,584,473	27,681	4,389,449	
Written Down Value											
Balance as at 30 June 2022	2,588,559	2,335,304	220,399	6,000	89,266	21,786	2,438	5,605,178	7,546	10,876,476	
Balance as at 30 June 2023	2,588,559	3,836,508	264,555	534	233,274	70,017	13,588	6,079,630	839	13,087,504	
									2023 \$	2022 \$	
									Investment properties comprise - Rental Units:	6,079,630	5,605,178
									Properties, Plant and Equipments:	7,007,874	5,271,298
									Total Written Down Value:	13,087,504	10,876,476

**** Government Housing**

Rental units are government housing that has been transferred to the Corporation by FK (13) 23. The Corporation are responsible for operating and maintaining housing as well as receiving rental income. Therefore, the Corporation have taken its view to recognise the value of the rental units as an assets.

SAMOA HOUSING CORPORATION
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18. Income	2023	2022
<i>(i) Loan fees</i>	\$	\$
Application fees	41,682	46,600
Documentation fees	80,170	80,285
Establishment fees	114,743	95,420
Service fees	230,986	190,840
Arrears fees	471,610	446,580
Maintenance fee	264,926	258,926
	<u>1,204,117</u>	<u>1,118,651</u>
<i>(ii) Other income</i>		
Interest - term deposit	104,924	159,233
Deferred income	19,596	19,596
Gain on sale of fixed asset	-	26,000
Other income	47,668	31,613
Unrealised gain on UTOS investment	27,726	2,244
	<u>199,914</u>	<u>238,686</u>
19. Personnel Costs	2023	2022
<i>Details of personnel costs are specified as follows:</i>	\$	\$
Salaries & wages	2,019,188	1,804,911
NPF contribution 10%	201,919	171,806
ACC contribution 1%	20,192	18,052
	<u>2,241,299</u>	<u>1,994,769</u>
Other staff costs	660,569	514,485
Total personnel costs	<u>2,901,868</u>	<u>2,509,254</u>
The number of staff employed by the Corporation as at year end were 46 (2022: 43). Other staff costs includes staff benefits payments such as long services leave, higher duty allowance, staff bonus and reimbursements of staff tuition fees.		
20. Occupancy Costs	2023	2022
<i>Details of occupancy costs are specified as follows:</i>	\$	\$
Electricity	37,534	37,798
Water	2,340	1,271
Rent	64,720	66,735
Telephone	48,513	46,157
Total occupancy costs	<u>153,107</u>	<u>151,961</u>
21. Administration Expenses	2023	2022
<i>Details of administration expenses are specified as follows:</i>	\$	\$
Advertising & promotion	43,373	10,634
Allowances	40,610	35,381
Office expenses	433,368	213,118
Stationeries	24,845	15,152
Insurance	25,765	27,549
Repairs and maintenance	440,348	207,439
Motor vehicle running expenses	75,123	75,354
Staff training & meetings	60,205	1,342
Loss on disposal	3,991	-
Total administration expenses	<u>1,147,628</u>	<u>585,969</u>
22. Interest on Borrowings	2023	2022
<i>Details of interest on borrowings are specified as follows:</i>	\$	\$
Interest on overdraft	223,451	3,749
Interest on CBS loans	27,036	53,460
Interest on UTOS loan	617,639	434,685
Interest on NPF loan	647,613	668,900
Total interest on borrowings	<u>1,515,739</u>	<u>1,160,794</u>

SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

22. Interest on Borrowings (cont'd)

Details of interest on borrowings are specified as follows:

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

23. Segment Reporting

For management purposes, the Corporation is organized 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, Lelata and Moto'otua areas, to the public.

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

	Lending	Rental	Consolidated
	\$	\$	\$
Revenue	8,786,851	709,736	9,496,587
Expenses			
Audit fees	40,359	7,122	47,481
Depreciation	206,052	332,986	539,038
Directors fees and expenses	82,766	14,606	97,372
Personnel costs	2,782,037	119,831	2,901,868
Occupancy costs	130,141	22,966	153,107
Administration expenses	975,484	172,144	1,147,628
Doubtful debts	1,744,016	18,492	1,762,508
Interest on borrowings	1,428,791	86,948	1,515,739
Total expenses	7,389,646	775,095	8,164,741
Profit/ loss	1,397,205	(65,359)	1,331,846
Capital expenditures	1,941,016	813,041	2,754,057
Property, plant and equipment	7,007,874		7,007,874
Investment Properties		6,079,630	6,079,630
Assets	66,957,756	6,222,947	73,180,703
Liabilities	31,455,270	2,268,751	33,724,021
Net assets	35,502,486	3,954,196	39,456,682
Capital and reserves			
Capital	17,750,000	3,088,000	20,838,000
Reserves	15,946,863	2,671,819	18,618,682
Total capital and reserves	33,696,863	5,759,819	39,456,682

24. Related Party Transactions

i) Directors compensation

Directors costs of \$101,490 (2022: \$101,490) 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 are as follows:

Chairman	- Annual fee \$22,500	(2022 : \$22,500)
Member	- Annual fee \$18,000	(2022 : \$18,000)

SAMOA HOUSING CORPORATION
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24. Related Party Transactions (cont'd)	2023	2022
<i>Directors and executive management compensation</i>	\$	\$
Directors fees	65,923	93,365
Other board expenses	31,449	8,125
Total directors compensation	97,372	101,490
 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	809,898	809,898
<i>Employers contribution to:</i>		
National Provident Fund	80,990	80,990
Accident Compensation Commission	8,099	8,099
Total key management personnel costs	898,987	898,987

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.

25. 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 credit worthy 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.

**SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

25. 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.

26. Commitments	2023	2022
a) Lease commitments	\$	\$
(i) Meilin & Bill Choi		
Not later than one year	27,600	27,600
Due after one year but not later than five years	110,400	110,400
	<u>138,000</u>	<u>138,000</u>
(ii) Samoa Land Corporation - Office space at Salelologa Market		
Not later than one year	8,280	8,280
Due after one year but not later than five years	33,120	33,120
	<u>41,400</u>	<u>41,400</u>
(iii) Ministry of Natural Resource and Environment		
Not later than one year	3,400	3,400
Due after one year but not later than five years	13,600	13,600
	<u>17,000</u>	<u>17,000</u>
(iv) Samoa Land Corporation - Land at Salelologa		
Not later than one year	575	575
Due after one year but not later than five years	2,300	2,300
	<u>2,875</u>	<u>2,875</u>
(v) National Providend Fund - Car Park		
Not later than one year (non-renewable)	15,180	15,180
Lease commitments	<u>214,455</u>	<u>214,455</u>

All lease commitments totaling \$209,955 are due within 5 years. The Meilin & Bill Choi lease is regarded as a 12 month term lease on a lease to lease basis, as it does not have a formal lease with terms. The Office space lease at Salelologa has expired but continuing on mutual agreement. The NPF lease is non renewable. Most leases are of small values. Therefore exemption provided under IFRS 16 is used and lease rental incomes are recognized 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 - Office space at Salelologa

Savaii branch has been relocated to Salelologa Market starting from June 2016. The lease is \$690 per month and has expired but not formally renewed.

(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 situate.

(iv) Samoa Land Corporation - Land lease at Salelologa

In 2019, the Corporation started leasing a 1 acre land at Salelologa from Samoa Land Corporation. The lease is \$575 per annum.

(v) National Providend Fund - Car park lease

This lease which is \$1,265 inclusive Vagst has expired and is non-renewable.

**SAMOA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

26. Commitments (cont'd)

b) Capital and other commitments

The Corporation pledges to modernize its lending system by the end of June 2024. The Loans Management System (LMS), which has been in operation since 2005, needed to be updated to a newer platform in order to keep up with technological advancements.

Apart from the aforementioned, the directors are not aware of any other capital or commitments that were not disclosed in the financial statements for the fiscal year that concluded on the 30 June 2023. (2022: SAT\$nil).

27. Contingent Liabilities

The directors are not aware of any contingent liabilities at year end. (2022: SAT\$nil).

28. Impact of Covid 19 and events after the end of the reporting period

The Corporation has conducted the assessment on the impact of COVID-19 on the business and has determined that it will not be significantly impacted at this time. The revenue through interest income have increased where the Corporation have received more collections from loan repayments and the Corporation continues to monitor the performance of its loan portfolio.

However, the full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Corporation's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Corporation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2023 financial year.

No other matters or circumstances have arisen since 30 June 2023 that has significantly affected or may significantly affect:

- (a) the operations in the future financial years, or
- (b) the results of those operations in the future financial years, or
- (c) the state of affairs in the future financial year