



SAMOA HOUSING CORPORATION



ANNUAL REPORT 2010

LISI O MATAUPU

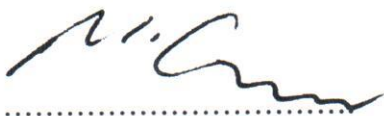
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Afioga i le Fofoga Fetalai
Palemene
MULINUU


E pei ona moomia e le Vaega 33 o le tulafono o le Faalapotopotoga o Maota ma Laoa o Samoa o le 1989. I le ava tele ma le faaaloalo lava e avea ai a'u ma sui o le Komiti Faatonu ou te tauaao atu ai lenei ripoti faaletausaga o le Faalapotopotoga o Maota ma Laoa o Samoa e faaiuina i le aso 30 Iuni 2010.



.....
Afioga Niko Lee Hang
Minisita o Tupe
TAITAIFONO – Komiti Faatonu

Mr Speaker
Legislative Assembly
MULINUU

As required under Section 33 of the Housing Corporation Act 1989, I have the honour of presenting, on behalf of the Directors, the Annual Report and Statement of Accounts for the Samoa Housing Corporation for the year ended 30 June 2010.



.....
Honourable Niko Lee Hang
Minister of Finance
CHAIRMAN – Board of Directors

RIPOTI A LE TAITAIFONO

E ripoti atu i le agaga lava o le fiafia le tulaga lelei atoatoa o le faagasologa o le tautua a le Faalapotopotoga o Maota ma Laoa o Samoa i nei vaiata o feagai si o tatou atunuu ma le lalolagi atoa i le oge o le tamaoaiga aoao. O lo o mafai lava ona fesoasoani atu faapitoaugafa ia i latou o le mamalu o le atunuu e i le tulaga maualalo lo latou tamaoaiga. Faapitoa lava lea i le toe faaleleia o o latou fale tofā, ao isi lava o fale fou ua siisii ae ai i luga le tulaga lelei o le tausiga o lo latou soifua maloloina lelei. O le auga lava lea o lana manulauti, o le taumafai e faaitiitia le va o le au maumea ma le mamalu lautele o le atunuu e leai ni aseta e mafai ai ona fai ni nonogatupe i auala masani i Faletupe o fefaatauaiga.

Ua tali mai ai ana faiga faavae fetuutuunai talafeagai lelei ma le faatinoina o galuega ma ana auaunaga. Ua molimauina e lana tupe faasili \$390,790 i le faaiu ai o le tausaga faale-tupe 2010. Ua faapea lava foi ona faaitiitia i le 31% nonogatupe sa tau faaletonu, ae o le unai malosi o le aoina mai o aitalafu ua ausia ai sini fuafuaina i masina ma kuata o le tausaga faale-tupe.

O se taumafaiga faafiafia loto ina ua mafai ona tumau pea i lena tausaga ma tausaga ua mavae ona maua pea tupe faasili i vaiata faigata. E ui lava o le auga o le Faalapotopotoga o Maota ma Laoa o Samoa, o se auaunaga e matua maualuga lona lamatia i le toe faaola mai o tupe nono atu ae o lo o mafai lava ona faaauau lana tautua ma auaunaga. Ma e taumafai pea le Faalapotopotoga e fesoasoani ma tauave lana pito laau ua poloaiina ai, ma ia taumafai pea ia maua sina faasiliga o ana tupe mamā mo le faaauauina o lana tautua.

Sa toe asia ma toe iloilo ai foi lana Tulafono Faavae o le 1989 ia talafeuga ana gaioga ma le tulaga ua oo iai le taavalega o le lalolagi ma ana polokalame eseese e unaia ai i se lelei tagata uma o le lalolagi.

O le matuia o aafiaga o a tatou paaga i itumalo o Aleipata ma Siumu i le sunami o Setema 2009, na tutu faatasi ai le Malo ma le Faalapotopotoga e tuu atu fesoasoani faapitoa i le faapa'u maualalo o tului i nonogatupe mo le toe faaleleia o ia atinae.

O faiga talafeagai lelei i le faatinoina o le auaunaga i le soona faatāuaina o le auga o le auaunaga, o le tauluga lea o le vaai ma le fesili i mea e lelei, mo le agai i luma. Ua faapea lava foi ona taulamua le Faalapotopotoga e fai paaga ma le (ADFIP) Faalapotopotoga ma Faletupe o Atina'e a le Pasefika ma le (ADFIAP) Faalapotopotoga o Faletupe o Atinae a Asia ma le Pasefika e faapitoa lava i nonogatupe mamā tului, ma ua iloga lelei o la latou tautua, ua maua ai avanoa tāua e mafuta ai ma faasoa tomai i le faatinoina o le auaunaga.

E momoli atu ai la'u faafetai ma le faamalō i paaga a le Faalapotopotoga o Maota ma Laoa o Samoa e aofia ai le malo o Samoa, Komiti Faatonu, le Pulega ma le aufaigaluega, mo lena foi tausaga ua maoae ona laasaga ua faatino.

CHAIRMAN'S REPORT



I am very happy to report that the Samoa Housing Corporation continues to improve its overall effectiveness and efficiency in a difficult economic environment locally and worldwide. It assists those in low and middle level incomes with financial means to build, extend or renovate their homes and improve their livelihoods in a safe and healthy way. The institution's role in helping to alleviate poverty in Samoa by improving shelter for its people is vital in its overall objectives.

A record net profit of \$390,790 was achieved at the end of the financial year 2010 as the Corporation improves on the quality of its portfolio and reducing costs wherever possible. Provision for doubtful debts has also been reduced by 31% with an overall concerted effort to pursue hard-core accounts through legal recourse and rigorous loan recovery.

It is immensely encouraging that the Samoa Housing Corporation continues to be profitable under prevailing difficult economic climate while meeting its loan obligations to its funding sources. Compliance with governing legislation is important to the institution although the risks of lending to the most vulnerable sector of the community is quite high. However it is an increasing challenge to fulfill the Corporation's mandate of assisting the low income and those who cannot meet the commercial bank requirements and to operate commercially in a profit driven manner.

A review of the initial Housing Corporation Act 1989 was also undertaken after 20 years of operation to broaden the functions of the Corporation, incorporate other governing legislations such as the Public bodies Act and Companies Act 2001 and to ensure it has the legal framework when operating in this modern economic climate.

The impact of the devastation caused by the tsunami which affected our country in September 2009 was felt by the Corporation when most of our clients housing in the Aleipata, Falealili and Siumu areas were demolished or damaged. The Corporation with the assistance of Government provided interest relief and further financial assistance to those who were affected.

Good corporate governance practices is crucial in promoting ethical and successful businesses hence the training of the Corporation's Directors and Management should be a continuing practice.

The affiliation as members of reputable associations of development financing institutions such as ADFIP (Association of Development Financing Institutions of the Pacific) and ADFIAP (Association of Development Financing Institutions of Asia and the Pacific) is a step in the right direction.

I wish to thank all the stakeholders including Government, Board of Directors, Management and staff for another successful year for the Samoa Housing Corporation.

A handwritten signature in black ink, appearing to read 'Niko Lee Hang'. The signature is fluid and cursive, written over a horizontal line.

Niko Lee Hang
CHAIRMAN

TALA O LE GALUEGA – OFISA SILI

Ua faamalieina i lenei tausaga faa-le-tupe 2010 i se tulaga maualuga le manulauti ma le autu o lenei auaunaga i se vaega o le mamalu o le atunuu lautele, e le gafatia ona maua ni nonogatupe mai i Faletupe o fefaatauaiga ona o le leai o ni a latou aseta umia saoloto e faaune atu e faamaonia ai le toe totogi faatasi ai ma tului o se aitalafu o le a faamatuu mai.

O le aofaiga o tupe na faaune atu i le mamalu o le atunuu ua ausia ai le \$7.0 miliona tala i le 705 o talosaga na faamalieina aiaiga mo nonogatupe. O se siitaga e 10% faatusa atu i nonogatupe o le tausaga ua mavae 2009, ma e 36% ua siitia ai le aofaiga o tagata faatusa atu i le tausaga ua mavae, ua mautinoa ai ua iloa ma talitonuina e lenei vaega o le atunuu le aoga o lenei atinae mo i latou. O se galuega faifai pea le faaleleia o le auaunaga i le lelei faatino ma le vave ona maua le tali o talosaga e toai mai mo se fesoasoani.

Ua faamauina ai se faasiliga o tupe mamā i le maea ai ona tuuese ana lafoga i le Malō i le aofaiga e \$390,790 o se siitaga e 13% ua sili ae ai mai i le tausaga ua tuana'i 2009, ua o se taumafaiga faafiafia loto. E lei faigofie ona ausia lenei matatia, o le mataalia o le afaigaluega e ao mai tupe i masina taitasi ia faaleleia ai le vaai atu i le tulaga o iai nonogatupe tuufaatasi, ua iloa ai lo latou malamalama i le uiga moni o le manatu o le Malō ua faavae ai lenei auaunaga. E ui ina e na o le 3% le tupe maua ma ii sea a le Malo i lo le numera sa fuafua e 7% e tataua ona ausia, ae o se vaaiga lautele, o le nonofo fiafia o tagata ua oo atu iai le fesoasoani i o latou laoa ma maota fou o se ai lea mo le Malō o le atunuu i nei atinae ma lona faavaeina.

E le'i sao le Faalapotopotoga i le matautia o le sauā o le sunami o le 2009, ma matuā faatamaia ai le tele o ana galuega sa faatupe, ae sa lē tuua ai le tuu atu pea o le tauau o le Faalapotopotoga i le faamagaloina o tului o ia nonogatupe ma sa fesoasoani mai ai le Malō e faatumu mai i lana fesoasoani ia vaega tupe ua faamagalalo, ona o le agaga o le alofa i ona tagata ma o latou mafatiaga i le toe fausia o ō latou apitaga.

E tāua tele i le Faalapotopotoga lana faiga paaga ma le Malo ma faatulaga ai se vaegatupe e tusa ma le 50% o le aofaiga o ana tupe mamā i le piliota e tolu tausaga 2006-2009.

O le mulimulitai i taiala o Pulega lelei, e laualuga i le faagasolo ai o le galuega, o le tuu atu o avanoa e auai sui o le Komiti Faatonu i aoaoga faapitoa i le pulea o Faalapotopotoga, o le faia pea lava pea o aoaoga a le afaigaluega i ona vaega uma, ua iloa ai le tāua o le amanaia o tagata faigaluega. O nai faamanuiaga laiti mo le afaigaluega e fofoa mai ai ma faateleina le lelei o le tautua. O lo o mataitū i se agaga vaai mamao i le agai atu i le lumanai o le taofiofi o afaigaluega ua iai tomā faapitoa ma le malamalama auā le a'o ma faasoa atu o lea ituaiga o atamai mo tupulaga fai mai e tauave lenei tautua tauā i le atunuu.

E momoli atu le faafetai i le Malō ma pa'aga uma a le Faalapotopotoga o Maota ma Laoa O Samoa, i le Afioga i le Taitaifono, le mamalu i Faatonu ma le afaigaluega i galuega lelei mo le tausaga faa-le-tupe ua mavae atu 2009.

CHIEF EXECUTIVE OFFICER'S REPORT



Financial year 2010 has been a successful year for the Corporation as it continues to assist our people with modest incomes satisfy their housing needs. Most of this sector cannot qualify for assistance from the commercial banks as they do not meet the criteria for housing loans especially the security requirement.

Total approvals for the year reached a record \$7.0 million for 705 clients or an increase of 10% by value and 36% by number from the previous year 2009. The steady increase over the years reflects a growing demand for housing loan funds and the Corporation's ability to meet this demand.

Procedures for processing of loans applications have been streamlined to ensure that the customers are provided with quality service.

The financial performance for the year with a net profit of \$390,790 or a net profit after tax to sales ratio of 13% is also a pleasing result. Continuous efforts have been focused on improving the quality of the portfolio and reducing provisions for bad and doubtful debts. While the return on equity ratio is at 3%, lower than the set standard of 7%, the economic and social benefits on housing projects for Samoan people funded outweighs any investment spin-offs by Government in the Corporation.

In response to the effect of the tsunami disaster on its clientele in the affected areas of Upolu, the Corporation provided interest relief and variation on terms of its agreements to those involved. Further lending to supplement Government and other assistance offered was also considered and approved to help out with rebuilding the homes and lives of those affected.

It was a challenging period for the Corporation to try and rebuild the hopes and dreams of the people who were severely affected by the Tsunami. The Corporation's assistance through interest relief was funded by the Government through its community social obligation.

Compliance with its governing and related legislation is important to the Corporation. During this financial period, a dividend was booked to be paid to Government equivalent to 50% of total net profits for the three (3) years since 2006.

Good corporate governance is maintained as we continue to train directors and management on directors flagship courses and best practices. Staff training and attachments is also crucial to improve the performance and productivity. Incentives and benefits offered to staff are also being reviewed to be competitive with other financial institutions for staff retention and boost morale in a fair and stable corporate relationship.

I would like to thank the Government and all stakeholders, Chairman and Board of Directors and staff for another successful financial year.

A handwritten signature in black ink, appearing to read 'Mautia Rula Levi'. The signature is written in a cursive style and is positioned above a horizontal line.

Mautia Rula Levi
CHIEF EXECUTIVE OFFICER

THE DIRECTORS OF THE CORPORATION DURING 2010:



Hon Niko Iee Hang
CHAIRMAN



Tuilaepa Eti Faolotoi
Public Representative



Leu Toaono Ng Lam
Public Representative



Aumua Ming Leung Wai
Attorney General



Taulealeausumai Laavasa Malua
CEO Ministry of Natural
Resources & Environment



Tupaimatuna Iulai Lavea
CEO Ministry of Finance



Vaelua Nofo Vaelua
CEO Ministry of Works
Trade & Infrastructure



Matautia Rula Levi
Chief Executive Officer

MANAGEMENT

The Management Team during the year was as follows:



General Manager
Mautia Rula Levi



Deputy General Manager
Fulumoa Su'a



Manager Loans Operations
Leitufia Mati Luamanuvae



Manager Finance
Aleki Afoa



Manager Corporate Services
Palolo Patu



Acting Manager Legal Services
Alosio Leota

MAOTA MA LAOA NA FESOASOANI I AI LE FAALAPOTOPOTOGA I NONOGATUPE



Saleapaga



Poutasi



Lepa

**SAMOA HOUSING CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

**SAMOA HOUSING CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

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TELEPHONE: 27751
FAX: 24167
EMAIL: info@audit.gov.ws
Website: www.audit.gov.ws

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



P.O. Box 13
APIA, SAMOA

AUDIT OFFICE

REPORT OF THE AUDIT OFFICE

TO THE BOARD OF DIRECTORS – SAMOA HOUSING CORPORATION

We have audited the accompanying financial statements of the Samoa Housing Corporation, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, the statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and also the Public Bodies (Performance and Accountability) Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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


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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and also give in the prescribed manner the information required by the Public Bodies (Performance & Accountability) Act 2001.

Apia, Samoa
16th December 2010


Fuimaono Camillo Afele
CONTROLLER AND CHIEF AUDITOR

**SAMOA HOUSING CORPORATION
CERTIFICATION BY DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2010**

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 2010:

- 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 (amended 2006) in relation to the form or content of financial statements made under the Public Bodies (Performance and Accountability) Act 2001.

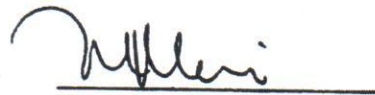
We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

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



Signature

Hon. Niko Lee Hang
CHAIRMAN
Samoa Housing Corporation
Apia, Samoa
16/12/10



Signature

Matautia Rula Levi
GENERAL MANAGER
Samoa Housing Corporation
Apia, Samoa
16/12/10

SAMOA HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010 SAT\$	2009 SAT\$
CAPITAL AND RESERVES			
Paid up capital	3	9,720,000	9,520,000
General reserve fund	9	4,909,559	4,714,164
Asset revaluation reserve	10	321,182	-
		<u>14,950,741</u>	<u>14,234,164</u>
<i>Represented by:</i>			
CURRENT ASSETS			
Cash and cash equivalents	4	669,527	846,602
Other debtors and prepayments	5	103,418	85,054
Current portion of loan portfolio	6	7,697,930	7,537,116
Total current assets		<u>8,470,875</u>	<u>8,468,772</u>
CURRENT LIABILITIES			
Current portion of borrowings	8	781,994	1,287,360
Other creditors and accruals	11	141,770	98,234
Equity deposit		3,700	5,100
Dividend payable	12	586,005	390,610
Total current liabilities		<u>1,513,469</u>	<u>1,781,304</u>
WORKING CAPITAL		6,957,406	6,687,468
NON CURRENT ASSETS			
Long term portion of loan portfolio	6	10,959,680	11,114,976
Property, plant and equipment	13	2,268,668	1,877,330
Total non current assets		<u>20,185,754</u>	<u>19,679,774</u>
Less: LONG TERM BORROWINGS	8	<u>5,235,013</u>	<u>5,445,610</u>
NET ASSETS		<u>14,950,741</u>	<u>14,234,164</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 7 to 13.

SAMOA HOUSING CORPORATION
 STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 SAT\$	2009 SAT\$
INCOME			
Application fees		32,859	33,184
Arrears fees		186,409	159,443
Documentation fees		61,100	56,100
Establishment fees		65,068	66,596
Interest - loans		2,508,992	2,298,009
Interest - term deposit		16,678	127,710
Maintenance fee		156,401	155,230
Other income		61,515	35,756
TOTAL INCOME		<u>3,089,022</u>	<u>2,932,028</u>
EXPENSES			
Salaries & wages		935,048	806,117
NPF contribution 5%		46,753	40,306
ACC contribution 1%		9,351	8,062
Audit fees		19,550	19,550
Directors fees and expenses	14	123,809	89,386
Depreciation	13	149,696	139,332
Advertising		8,288	10,367
Allowances		11,870	7,818
Office expenses		99,376	74,496
Electricity		35,694	30,300
Water		2,095	1,495
Rent		7,130	8,556
Postages and telephone		20,661	18,724
Stationeries		15,675	24,604
Insurance		14,618	14,445
Repairs and maintenance		42,872	38,894
Motor vehicle running expenses		48,048	45,487
Staff training		44,174	29,246
Bad debts		148,916	8,613
Doubtful debts	7	331,850	478,962
Guarantee fee - SNPF loan		10,899	12,218
Interest - DBS loan		93,036	104,384
Interest - SNPF loans		477,496	528,840
Interest - overdraft		86	5,068
Loss on disposal of fixed assets		1,241	-
TOTAL EXPENSES		<u>2,698,232</u>	<u>2,545,270</u>
NET PROFIT		390,790	386,758
TRANSFER TO GENERAL RESERVE		<u>(390,790)</u>	<u>(386,758)</u>
		<u>SNil</u>	<u>SNil</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 7 to 13.

SAMOA HOUSING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Capital SATS	General Reserve Fund SATS	Asset Revaluation Reserve SATS	Total SATS
Balance at 1 July 2008		9,320,000	4,718,016		14,038,016
Capital injection		200,000			200,000
Profit for the period			386,758		386,758
Less: Dividend provided	12		(390,610)		(390,610)
Balance at 30 June 2009		<u>9,520,000</u>	<u>4,714,164</u>	<u>-</u>	<u>14,234,164</u>
Capital injection		200,000		-	200,000
Profit for the period			390,790		390,790
Less: Dividend provided	12		(195,395)		(195,395)
Net increase/ decrease	10			321,182	321,182
Balance at 30 June 2010		<u>9,720,000</u>	<u>4,909,559</u>	<u>321,182</u>	<u>14,950,741</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 7 to 13.

SAMOA HOUSING CORPORATION
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 SATS	2009 SATS
CASH FLOWS FROM/(TO) OPERATING ACTIVITIES			
Cash received from customers		9,546,357	8,517,254
Cash paid to customers		(6,977,607)	(6,777,162)
Cash paid for salaries and wages		(945,126)	(844,188)
Cash paid for other expenses		(548,236)	(462,383)
Net cash inflow from operating activities		<u>1,075,388</u>	<u>433,521</u>
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES			
Purchases of fixed assets	13	(221,093)	(29,385)
Proceeds from sales of fixed assets		20,800	-
Interest from investments		35,276	99,470
Net cash inflow from investing activities		<u>(165,017)</u>	<u>70,085</u>
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES			
Capital injection from Government		200,000	200,000
Interest on overdraft facility		(86)	(2,068)
Interest on DBS borrowings		(93,036)	(103,709)
Interest on SNPF borrowings		(477,496)	(528,839)
Loan principal - DBS		(104,964)	(94,291)
Loan principal - SNPF		(611,864)	(560,521)
Net cash outflow to financing activities		<u>(1,087,446)</u>	<u>(1,089,428)</u>
Net increase/ decrease		(177,075)	(585,822)
Cash and cash equivalents beginning		846,602	1,432,424
Cash and cash equivalents at year end		<u>669,527</u>	<u>846,602</u>
<i>Represented by :</i>			
Cash and cash equivalents	4	<u>669,527</u>	<u>846,602</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements on pages 7 to 13.

1. GENERAL

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 Act 2001 overrules the initial Act. However, review of the Housing Corporation Act 1989 is in progress. 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 Corporation's operations are directed by a 8 - member board of directors. The Board consists of a Chairman (Minister of Finance), 4 members who serve as ex-officio (the Chief Executive Officers of Government Ministries i.e., Ministry of Finance, Attorney General, Ministry of Natural Resources & Environment and Ministry of Works, Transport & Infrastructure), 2 appointed members from the public and the General Manager of the Corporation.

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).

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. 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 recognised 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 not been rounded.

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 recognised in the income statement.

f) Bad and Provision for Doubtful Loans

The Corporation sets aside in each year at least two percent to its approvals of loans in that year as a provision against bad and doubtful debts until such time as the provisions equal ten percent of its loans portfolio, and will thereafter set aside annually such amounts as are sufficient to maintain this provision at that level. However, a yearly review of the individual loans are carried out to recognise 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 (Continued)

g) Interest Revenue on Loans

Interest on loans receivable is credited to income earned on a monthly basis and is classified as interest receivable. Interest is calculated on reducing and fixed loan balances at rates ranges from 8% to 16% per annum subject to loan status. Some loans under review with substantial balances greater than the original advances are accorded special consideration. Most of these accounts are active but repayments are irregular hence insufficient to offset accumulative accrued interest. However, principals and interests have been recovered and decide to curtail interest to clear these loans over time. A point scoring system is also in place to determine appropriate interest rate to impose on new approvals.

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) Accounts and Other Receivables

Accounts and other receivables are recorded at fair value after providing for bad and doubtful debts. At the end of each reporting period, the carrying amounts of accounts 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 recognised 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. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not categorised in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

l) Provisions

A provision is recognised in the balance sheet 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.

m) Accounts and other payables

Accounts payable and other payables are recognised 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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost 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 capitalised. The following rates are used for the depreciation of property, plant and equipment:-

Buildings	2.5%
Motor vehicles	20% & 33%
Office furniture	20%
Office equipment	33%
Computer software	33%
SHC Logo	5%

o) Dividends

Dividends are recognised as a liability in the period in which they are due and payable pursuant to the Public Bodies (Performance & Accountability) Regulations 2002.

p) Borrowing Costs

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

r) 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 recognised 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.

3. AUTHORISED AND PAID UP CAPITAL

	2010 SATS	2009 SATS
Authorised capital (10,000,000 shares of \$1 each)	10,000,000	10,000,000
Unpaid capital	280,000	480,000
Paid up capital (Government of Samoa)	<u>9,720,000</u>	<u>9,520,000</u>

The authorised capital of the Corporation can only be subscribed to by the Government of Samoa as per section 24(4) of the Housing Corporation Act 1989.

4. CASH AND CASH EQUIVALENTS

	2010 SATS	2009 SATS
Term Deposits		
Samoa Commercial Bank	200,999	825,751
ANZ Bank (Samoa) Ltd	50,197	-
	<u>251,196</u>	<u>825,751</u>
Cash at Bank and on Hand		
ANZ Bank (Samoa) Ltd	4,377	10,487
National Bank of Samoa	13,146	1,755
Samoa Commercial Bank	391,362	4,473
Westpac Bank (Samoa) Ltd	8,226	2,916
Petty cash imprest	700	700
Postage imprest	20	20
Stamp duty imprest	500	500
Total	<u>669,527</u>	<u>846,602</u>

5. OTHERS DEBTORS AND PREPAYMENTS

	2010 SATS	2009 SATS
Other and staff debtors	83,038	71,970
Prepayments	20,380	13,084
Total	103,418	85,054

6. LOANS PORTFOLIO

	2010 SATS	2009 SATS
Total loans portfolio as at year end	21,204,256	21,142,895
Less provision for doubtful loans (<i>refer to note 7 below</i>)	(2,546,646)	(2,490,803)
	18,657,610	18,652,092
 Current portion of loans	 7,697,930	 7,537,116
 Long term portion of loans	 10,959,680	 11,114,976

Loans are recognised 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.

7. PROVISION FOR DOUBTFUL DEBT

	2010 SATS	2009 SATS
Balance at the beginning of the year	2,490,803	2,212,874
Add: Additional provision	331,850	478,961
	2,822,653	2,691,835
Less: Write offs charged against provision	(276,007)	(201,032)
Balance at year end	2,546,646	2,490,803

8. BORROWINGS

	2010 SATS	2009 SATS
Samoa National Provident Fund:		
(i) Loan E0408:		
Current portion	386,643	420,000
Long term portion	158,331	479,817
	544,974	899,817
(ii) Loan E0416:		
Current portion	90,445	177,360
Long term portion	916,063	912,506
	1,006,508	1,089,866
(iii) Loan 411206:		
Current portion	189,097	492,000
Long term portion	3,459,809	3,330,569
	3,648,906	3,822,569
 Development Bank of Samoa:		
Current portion	115,809	198,000
Long term portion	700,810	722,718
	816,619	920,718
 Total		
Current portion	781,994	1,287,360
Long term portion	5,235,013	5,445,610
	6,017,007	6,732,970

All borrowings are repayable on a monthly basis including interest and principal. Securities for the borrowings are a first and second mortgage over land, building and improvements thereon with government guarantee.

9. GENERAL RESERVE FUND

	2010 SAT\$	2009 SAT\$
Opening reserve fund balance	4,714,164	4,718,016
Transfer from Profit and Loss	390,790	386,758
Less: Dividend Provided	(195,395)	(390,610)
	<u>4,909,559</u>	<u>4,714,164</u>

Section 29 of the Housing Corporation Act 1989 requires the Corporation to establish and maintain a general reserve fund.

10. ASSET REVALUATION RESERVE

Description	Original	Acc.dep at		Revalued	2010	
	cost	31/01/2010	Net Amount	Amount	Inc/Dec	2009
	SAT\$	SAT\$	SAT\$	SAT\$	SAT\$	SAT\$
Land	412,000	-	412,000	588,000	176,000	-
Building	1,453,161	(148,343)	1,304,818	1,450,000	145,182	-
	<u>1,865,161</u>	<u>(148,343)</u>	<u>1,716,818</u>	<u>2,038,000</u>	<u>321,182</u>	<u>-</u>

The revaluation (land and building) was carried out by Kaisara Real Estate Management an independent licensed valuer in February 2010. Market value approach i.e. sales comparison, income and depreciated replacement cost were used to determine the fair values of the above items. The cost method is used to account for revaluation of assets, where the original cost of assets less their accumulated depreciation and then determine whether there is an increase or decrease in assets revalued amounts from their carrying amounts. The above surplus is recognised in the Asset Revaluation Reserve under Capital and Reserves.

11. OTHER CREDITORS AND ACCRUALS

	2010 SAT\$	2009 SAT\$
Accruals	60,104	43,749
Provision for audit fees	19,550	19,550
Other creditors	62,116	34,935
Master card	-	-
Total	<u>141,770</u>	<u>98,234</u>

- Leave entitlement benefits accruing to employees are measured at their present values using the relevant remuneration rates and are taken up as sundry creditors.

- Master card limit is \$20,000 at ANZ Bank (Samoa) Ltd and is secured by \$50,000 term deposit. At balance date there are no outstanding obligations relating to master card.

12. DIVIDEND PAYABLE

The Public Bodies (Performance and Accountability) Regulations 2002 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. Consequently as at 30 June 2010, Samoa Housing Corporation has a liability for dividend payable at 50% of Net Profit After Tax, less dividend payments made.

Dividend Payable	Net Profit	2010	2009
	SAT\$	SAT\$	SAT\$
Opening balance		390,610	-
Financial Years:			
30 June 2006/2007/2008/2009	781,220	-	390,610
30 June 2010	390,790	195,395	-
		<u>195,395</u>	<u>390,610</u>
Less: Dividend payments		-	-
Dividend Payable to Government of Samoa		<u>586,005</u>	<u>390,610</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Building SATS	Computer Software SATS	Land SATS	Motor Vehicles SATS	Office Equipment SATS	Office Furniture SATS	SHC Logo SATS	Total SATS
COST								
Balance as at 1 July 2008	1,453,161	68,488	412,000	317,774	110,914	22,825	9,761	2,394,923
Additions	-	-	-	-	24,307	5,027	-	29,334
Disposals	-	-	-	-	-	-	-	-
Balance as at 30 June 2009	1,453,161	68,488	412,000	317,774	135,221	27,852	9,761	2,424,257
Balance as at 1 July 2009	1,453,161	68,488	412,000	317,774	135,221	27,852	9,761	2,424,257
Additions	-	3,000	26,370	174,076	12,795	4,852	-	221,093
Valuation	145,182	-	176,000	-	-	-	-	321,182
Disposals	(148,343)	(4,006)	-	(147,254)	-	-	-	(299,603)
Balance as at 30 June 2010	1,450,000	67,482	614,370	344,596	148,016	32,704	9,761	2,666,929
ACCUMULATED DEPRECIATION								
Balance as at 1 July 2008	90,823	64,813	-	163,970	73,213	14,287	488	407,594
Depreciation	36,329	1,322	-	74,023	22,606	4,566	488	139,334
Disposals	-	-	-	-	-	-	-	-
Balance as at 30 June 2009	127,151	66,135	-	237,993	95,819	18,853	976	546,927
Balance as at 1 July 2009	127,151	66,135	-	237,993	95,819	18,853	976	546,927
Depreciation	36,296	1,251	-	77,453	28,822	5,386	488	149,696
Disposals	(148,343)	(2,765)	-	(147,254)	-	-	-	(298,362)
Balance as at 30 June 2010	15,104	64,621	-	168,192	124,641	24,239	1,464	398,261
CARRYING AMOUNT								
30 June 2009	1,326,010	2,353	412,000	79,781	39,402	8,999	8,785	1,877,330
30 June 2010	1,434,896	2,861	614,370	176,404	23,375	8,465	8,297	2,268,668

14. RELATED PARTY TRANSACTIONS

i) Directors Compensation

The Directors of the Corporation during the financial period were:

- Hon. Niko Lee Hang (Chairman of the Board and Responsible Minister for the Corporation)
- Tuilaepa Eti (Private Sector member Board)
- Leu Toano Ng Lam (Private Sector member Board)
- Vaelua Nofu Vaelua (Member from Ministry of Work)
- Aumua Ming Leung Wai (Attorney General)
- Tupa'imatuna Iulai Lavea (Member from Ministry of Finance)
- Taulealeausumai Laavasa Malua (Member from Ministry of Natural Resources and Environment)

Directors fees of \$123,809 (2009: \$89,386) were paid during the year including sitting allowance of \$29,477 (2009: \$28,702). Board expenses amounted to \$81,332 (2009: \$34,684). Directors appointed from Government Corporations and Ministries do not receive a director's fee except for sitting allowances. Government regulations specify that directors' fees are \$6,500 per year and the sitting allowances are \$250 per meeting.

<i>Directors and executive management compensation</i>	2010 SATS	2009 SATS
Directors fees	13,000	26,000
Sitting allowances	29,477	28,702
Catering for board meeting	4,110	7,136
Gift and donation for former directors	5,605	-
Others	71,617	27,548
	123,809	89,386

14. RELATED PARTY TRANSACTION (cont'd)

ii) Key Management Personnel Costs

The remuneration of key management personnel during the year were as follows:

	2010	2009
	SATS	SATS
Salaries and short term employment benefits	<u>460,458</u>	<u>370,736</u>
<i>Employers contribution to:</i>		
National provident fund	23,023	18,537
Accident compensation commission	<u>4,605</u>	<u>3,707</u>
	<u>488,085</u>	<u>392,980</u>

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.

15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES/ ASSETS

There are no capital commitments as of 30 June 2010. (2009: \$Nil)

As of 30 June 2010, the Corporation had no contingent liabilities or assets. (2009: \$Nil)

16. EVENTS AFTER BALANCE SHEET DATE

Payment of Dividends

In August 2010, the Board of Directors approved the payment of dividend of \$390,610 to the Government of Samoa.