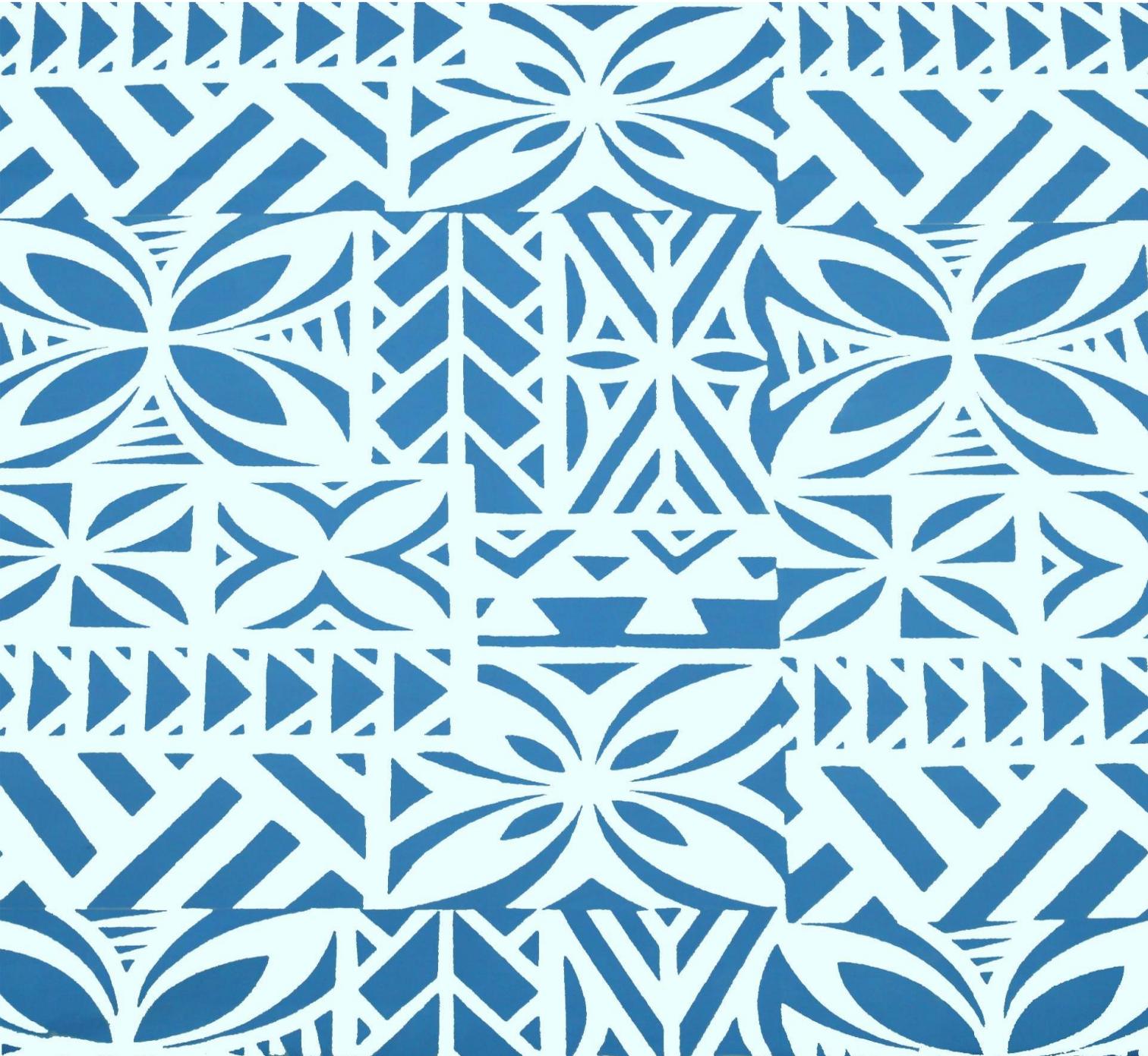


ANNUAL REPORT 2017 | 12TH EDITION



Please address all correspondence to:
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Private Bag
Apia, Samoa



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Government of Samoa
OFFICE OF THE MINISTER OF FINANCE

21 December 2017

The Honourable Speaker
Legislative Assembly of Samoa

Pursuant to section 20(5) of the *Samoa International Finance Authority Act 2005*, I have the honour to submit the report of the Samoa International Finance Authority on its operations for the twelve months that ended on the 30th June 2017, together with the audited accounts for that period and the report of the Auditor on those accounts.

A handwritten signature in black ink, appearing to read 'Sili Epa Tuioti'.

Hon. Sili Epa Tuioti
MINISTER OF FINANCE



Samoa International Finance Authority

Please address correspondence to
THE CHIEF EXECUTIVE OFFICER

20 December 2017

Hon. Sili Epa Tuioti
Minister of Finance
Ministry of Finance
APIA

Dear Honourable Minister

I have the honour of submitting the Annual Report of the Samoa International Finance Authority as required by the *Samoa International Finance Authority Act 2005* for the financial year 1 July 2016 to 30 June 2017.

The report comprises:

- (a) a report on the Authority's operations during the twelve (12) months ending on 30 June 2017; and
- (b) the Authority's audited accounts for the twelve (12) months ending June 2017 together with the auditor's report.

Yours faithfully

Tootooleaava Dr. Fanaafi Aiono-Le Tagaloa
CHIEF EXECUTIVE OFFICER

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Chairperson's Statement



As Chairperson of the Board of Directors of the Samoa International Finance Authority (SIFA), I am pleased to present the Annual Report for the Authority for the financial year 2016/2017.

In the conduct of its normal business for the past 12 months, SIFA continued to pursue a policy of excellence in the regulation and supervision of the entities within its jurisdiction.

It achieved this by working closely with its private sector clients and through the continued training of its management and senior staff at overseas forums and peer review groups.

This kept the staff abreast of the ever changing world of international finance and wealth management.

SIFA was also generous in its sponsorship and promotional grants to local sporting bodies (rugby, netball, etc.) and several community projects aimed at assisting youth.

The net result of its operations for the year in review is a profit of \$18.1 million. I congratulate the Chief Executive Officer, Management and Staff for the hard work.

Despite the stringent international standards for offshore financial centres, constant changes in tax reporting regulations, pressure from standard setters and competition from renowned offshore markets, SIFA was able to operate successfully due mainly to the support from Government and the diligent and dedicated work of its Directors, Management and staff.

I record my congratulations to the Board of Directors, Management and Staff of SIFA for a job well done.

A handwritten signature in blue ink, which appears to read 'T. Alfred Schwalger', written over a horizontal line.

Tuatagaloa Alfred Schwalger

CHAIRPERSON SIFA BOARD OF DIRECTORS

Chief Executive Officer's Statement



The 2016/2017 financial year, amid many challenges the Samoa International Finance Authority (SIFA) continued to make inroads in relation to its statutory functions plus the usual day to day service of the financial community and the people of Samoa.

SIFA's major sponsorship continued for the Samoa Rugby Union – Manu Samoa 7s, Samoa Netball Association and many other sporting codes.

On the legislative front, the passage of the long-awaited *Foundations Act 2016* in October 2016 plus the amendment of the *Trusts Act 2014* and the *International and Limited Partnerships Act 1998* was indeed a 'red letter day' for SIFA. SIFA's Distance Learning Course on international estate planning and structuring was repeated in February with the second part to take place later in 2017, to build the knowledge and capacity of local professionals on how to fully utilise new and existing legislative-based solutions.

Promotional efforts took SIFA to China, Hong Kong, Singapore and London.

The crossborder nature of SIFA's business necessitates training on international standards of best practice in supervisory issues to continue. With a desire to ensure a high level of skills and knowledge being retained in the Office in such a dynamic area, workshops and training particularly on ever changing international standards remains in the fore of Management Training.

As such, senior Management and staff have attended meetings and workshops conducted by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes, the International Monetary Fund (IMF) and the Corporate Registers Forum (CRF) besides peer regulatory annual meetings of the Group of International Finance Centre Supervisors (GIFCS), Group of International Insurance Centre Supervisors (GIICS) and the Asia Pacific Group (APG) on anti-money laundering and counter terrorism financing.

The slow recovery worldwide from the economic recession did not mean SIFA did not perform well; shown in its net profit of \$18.1 million for this financial year.

We therefore continue to give God the glory for all the blessings and success SIFA has experienced over these past twelve (12) months, and we thank and honour Him and ask that His face continue to shine upon us.

Faafetai tapuai!

Fanaafi

Tootooleaava Dr. Fanaafi Aiono-Le Tagaloa
CHIEF EXECUTIVE OFFICER

1. Management and Functions of the Samoa International Finance Authority

The Samoa International Finance Authority (SIFA) is managed by a Chief Executive Officer (CEO) appointed by Cabinet on the advice of the Minister. SIFA assumes responsibilities of a one stop regulatory shop which is in accordance with accepted international standards for banking, insurance and corporate service provider regulation.

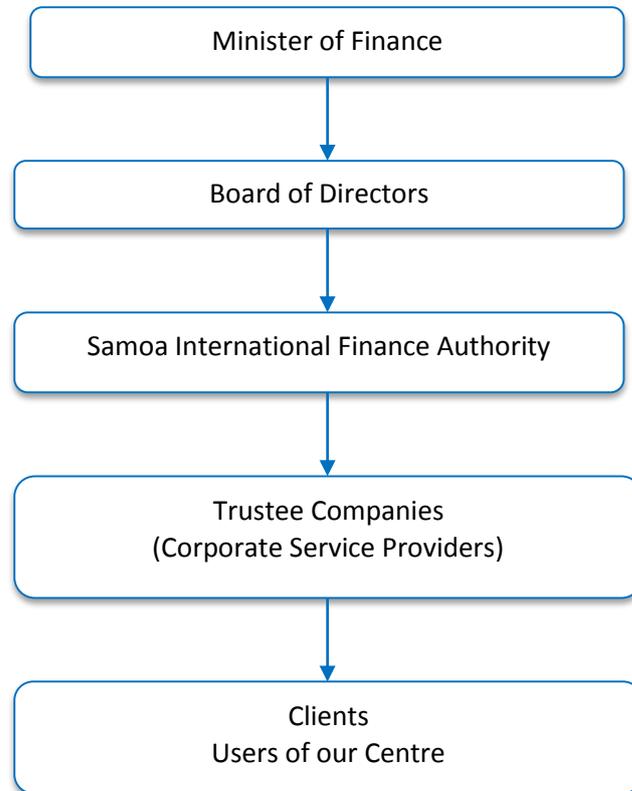
SIFA is administered by a Board of Directors consisting of three (3) Government officials (i.e. the Governor of the Central Bank, the Attorney General, the Chief Executive Officer of the Ministry of Finance) and up to four (4) directors from the private sector. The latter must have financial services background with relevant knowledge, experience and expertise to aid SIFA in its performance. The Chairman is elected from the four (4) Private Sector Directors.

On the one hand SIFA performs a regulatory and supervisory function where the ultimate objective is to protect and uphold the reputation and integrity of our Centre whilst on the other hand promote the financial facilities and explore ways to enhance the attraction of Samoa as an international finance centre.

SIFA's functions pursuant to section 4 of the *Samoa International Finance Authority Act 2005* are:

- ⇒ To monitor and supervise the conduct of international financial services provided within Samoa;
- ⇒ To protect and maintain the good repute of Samoa as a centre for international financial services;
- ⇒ To ensure coordination and cooperation between the public sector agencies, private corporations and non-governmental organizations concerned in any way with international financial services;
- ⇒ To promote Samoa as a centre for international financial services;
- ⇒ To make recommendations for the introduction, amendment or replacement of legislation pertaining to international financial services, companies and other forms of business structures;
- ⇒ To carry out research and to commission studies on the international business sector and related services;
- ⇒ To be responsible for the general administration of international financial services legislation and for the collection of all fees, charges and other revenue due thereunder;
- ⇒ To advise and make recommendations to the Government generally on any matter relating to international financial services; and
- ⇒ Such other functions in relation to international financial services as may by Order be made by the Head of State.

The following represents the current structure of Samoa International Finance Authority:



2. Structure of the Samoa International Finance Authority

2.1 Board of Directors



Standing (L-R): Leafa Donald Kerslake – Private Sector, Lemalu Hermann Paul Retzlaff – Attorney General, Lavea Tupa’imatuna Iulai Lavea – CEO Ministry of Finance, Magele Philip Penn – Private Sector

Sitting (L-R): Reverend Misiafa Tyrell – Private Sector, Tuatagaloa Alfred Schwalger – Chairperson, Maiava Atalina Ainuu-Enari – Governor Central Bank of Samoa

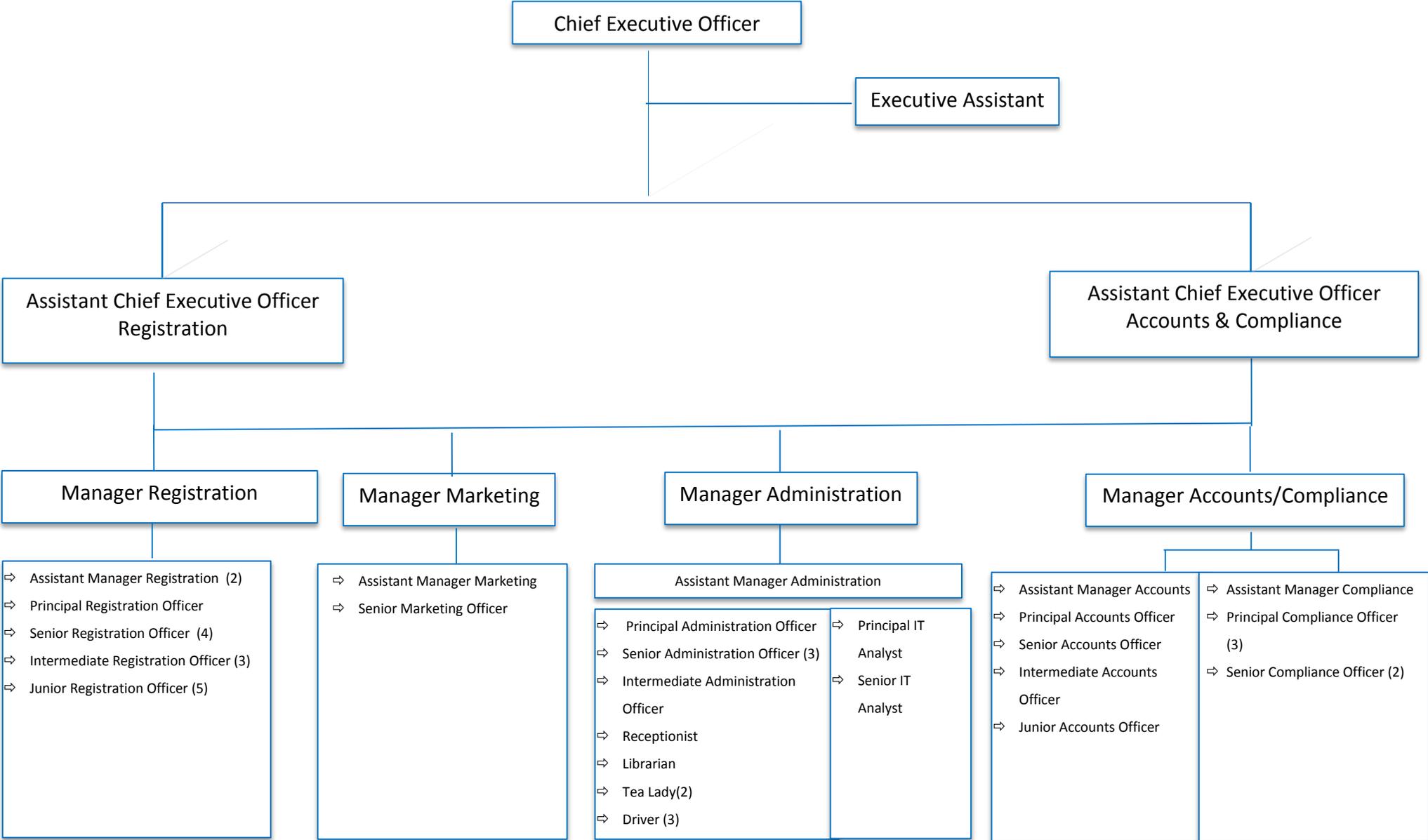
2.2 Management



Standing (L-R): Moana Ah Poe – Manager Administration, Cheshire Malua – ACEO Accounts/Compliance, Feaisili Sua – Asst. Manager Registration, Watsonia Fereti – Assist. Manager Marketing, Kalala Mataia – Manager Registration, Li’o Heinrich Siemsen – ACEO Registration, Kolisi Simamao – Asst. Manager Compliance, Ngaire Ioane-Ah Ching – Asst. Manager Accounts, Koroseta Lesatele – Asst. Manager Administration, Ramona Rimoni-Jahnke – Asst. Manager Registration, Tootoooleaava Dr. Fanaafi Aiono-Le Tagaloa – Chief Executive Officer

Absent: Mesepa Tapuitema Lafaialii-Petaia – Manager Marketing

2.3 Organisational Structure



2.4 Staff Members



3. Governing Legislation of SIFA

The Samoa International Finance Authority (SIFA) was established by the *Samoa International Finance Authority Act 2005* (SIFA Act) and administers the following legislation. To ensure compliance with international standards and keeping abreast of developments in the offshore world, SIFA and relevant local bodies regularly review its laws with a view to further diversify its offerings.

1. *International Companies Act 1988*
2. *Trustee Companies Act 1988*
3. *International Insurance Act 1988*
4. *International and Limited Partnership Act 1998*
5. *Segregated Fund International Companies Act 2000*
6. *Prevention & Suppression of Terrorism Act 2002*
7. *SIFA Act 2005*
8. *International Banking Act 2005*
9. *Money Laundering Prevention Act 2007*
10. *Mutual Assistance in Criminal Matters Act 2007*
11. *Proceeds of Crime Act 2007*
12. *Mutual Funds Act 2008*
13. *Electronic Transactions Act 2008*
14. *Special Purpose International Companies Act 2012*
15. *Trusts Act 2014*
16. *Foundations Act 2016*

4. Activities of the SIFA

To ensure that its activities are in line not only with international standards but matching developments applying in other renowned offshore centres, SIFA continues with its active membership in various international fora as follows:

- ⇒ Founding member of the Corporate Registers Forum (CRF);
- ⇒ Member of the Group of International Insurance Centre Supervisors (GIICS);
- ⇒ Member of the International Tax Planning Association (ITPA);
- ⇒ Member of the Group of International Finance Centre Supervisors (GIFCS);
- ⇒ Member of the Asia Pacific Group on Anti-Money Laundering and Counter Terrorism Financing ; and
- ⇒ Member of the OECD's Global Forum and the Global Forum's Peer Review Group on Transparency and Exchange of Information and for Tax Purposes.

SIFA through its different Divisions ensures that it performs its respective functions in order to efficiently serve its clientele and remain current.

4.1 Registration Division: provides registration services for international companies and other vehicles such as segregated and mutual funds, the special purpose international company and others. In addition, the Registration team is responsible for maintaining up to date records of all entities registered and licensed by SIFA thus ensuring the accuracy of all Registers kept.

An application for the incorporation of an entity is made to the Registrar of Foreign and International Companies (ICs) through a licensed trustee company. The incorporation fee is USD\$300 and is lodged together with the company's Memorandum and Articles of Association and the Notice of situation of registered office. The process is relatively simple with minimal filing requirements and usually takes no more than a day. Fees for registration of Foundations and other registered entities are in accordance with the set fee schedule in the legislation governing the formation of the entities.

The Registration team also deals with other services incidental to registered entities already registered such as the provision of certificates of good standing, name changes, winding up of companies, share and capital increase and reduction, and amalgamations and so forth.

The months of January and February are peak periods for the Registration Division. The total number of international companies registered with SIFA for this financial year is four thousand five hundred and fifty (4,550). Live international companies registered with SIFA as at June 2017 totalled 38,014.

The total gross number of international companies registered with SIFA since inception is 79,211.

There are currently eleven (11) licensed trustee companies in Samoa working with SIFA.

The demanding pace and high standards expected by our clients has the Registration team constantly striving to deliver a professional service that is world class.

4.2 Accounts/Compliance Division

4.2.1 Accounts: For this financial year, our Accounts endeavoured to meet all its functions within the Authority. That is to record, report and maintain financial information in order to assist the Board and Management in their decision making.

With our newly adopted Accounting System, **FRONT ACCOUNTING**, it has been a challenge for the Accounts team to work in parallel with the old system to ensure all data is entered and reconciled. However, it has been most beneficial for the Staff in becoming accustomed to a Computerized System to replace the Old Excel system.

Movement of management staff had also been an issue for our seven member team due to the volume of transactions, but we are optimistic that the new functions in our newly established system will address this issue and improve services for our Accounts Section in years to come.

Our audit for the financial year 2016-2017 commenced on the 14th August 2017 and was completed and signed on the 2nd November 2017.

It has indeed been another successful year for the Accounts Section.

4.2.2 Compliance: The Compliance Section is required under the *Samoa International Finance Act 2005* to supervise licensed entities under the various international financial services legislation such as; trustee companies, international banks, international insurance and the international mutual fund companies.

The Compliance Team comprising of seven (7) staff members ensures that all the licensed international financial institutions operating in and from within Samoa comply with the relevant laws and the international regulatory standards by providing supervisory oversight through on-site visits and off-site reviews of statutory financial information and reports filed by the licensed entities.

The principal legislation governing the supervision of these entities include the *Samoa International Finance Authority Act 2005*, the *International Companies Act 1988*, the *Trustee Companies Act 1988*, the *International Banking Act 2005*, the *International Insurance Act 1988*, the *International Mutual Funds Act 2008* and the *Money Laundering Prevention Act 2007*.

The Compliance Team carried out three (3) on-site visit during this financial year which mainly focused on International Banks. They also participated in international surveys and questionnaires as well as attending overseas meetings and seminars.

As of June 2017, the international financial institutions licensed and registered with SIFA are as follows:

<i>Licensed Entities</i>	<i>No</i>
<i>Trustee Companies</i>	11
<i>International Banks</i>	3
<i>International Insurance Companies</i>	3
<i>International Fund Manager and Administrator</i>	4
<i>Private International Mutual Fund Companies</i>	5
<i>International Insurance Managers</i>	2
<i>Auditors</i>	17
<i>Liquidators</i>	15

4.3 Administration Division: is responsible for general administration and human resources management in SIFA. The main role of the Division is to provide administrative support services, administering staff regulations, supervise and coordinate activities, and manage staff resources and assets.

4.3.1 Staff Developments, Work experience/Part Time

During this financial year 2016/2017, there were five (5) new additions to the overall number of staff, which included an ACEO Registration, Assistant Manager Marketing, Senior Marketing Officer, Receptionist and Driver. There were five (5) staff members who resigned during this financial year.

There were six (6) staff members who were promoted during this financial year with two (2) in the Registration Division, two (2) within the Accounts/Compliance and two (2) within the Administration Division.

4.4 Marketing Division

The Marketing Division's work focuses on five (5) of the ten (10) core functions of SIFA as follows: (i) to promote Samoa as a centre for international financial services; (ii) to make recommendations for the creation and the improvement of any facilities likely to enhance the attraction of Samoa as a centre for international financial services; (iii) to make recommendations for the introduction, amendment or replacement of legislation pertaining to international financial services, companies and other forms of business structures; (iv) to carry out research and commission studies on the international business sector and related services; and (v) to advise and make recommendations to the Government generally on any matter relating to international financial services.

On the promotional front, SIFA launched its promotional brand "INVEST SAMOA". The promotional brand brings into realization SIFA's aim to have a broad platform for the purpose of marketing our international financial services, and Samoa as an international finance centre of choice.

"INVEST SAMOA" continued its promotional campaign with soft marketing, one on one meetings in selected jurisdictions and conferences. Capacity building initiatives under the leadership of consultant Mr. Mark Lea of Lea and White International Advisors continued with training for Professional Service Providers namely trustee companies, lawyers, accountants and SIFA senior staff through the SIFA Training Course on International Estate Planning and Structuring conducted by Mr. Mark Lea. The

training is divided into two (2) Phases with the ultimate aim of providing local professionals with case studies on international estate planning and structuring solutions available under Samoa's international financial services legislation.

As part of its core function to have the most up to date and competitive wealth management solutions and business structures, Samoa's *Foundations Act 2016* was enacted in October 2016 which provides Foundations, a civil law solution as an addition to Samoa's vehicles for wealth management and international estate planning. Other amendments to reflect Samoa's adoption and adherence to international standards were incorporated into its laws such as amendments to the *International Partnership and Limited Partnership Act 1998* and the *Trusts Act 2014*.

SIFA representatives and Mr Mark Lea participated at the China Offshore Summit in Shanghai in October 2016 and subsequently at the Society of Trusts and Estate Practitioners (STEP) in Hong Kong in November 2016.

Most importantly, "INVEST SAMOA" hosted its first Master Class Seminars in Hong Kong and Singapore in April 2017 coinciding with the popular HSBC Sevens Circuit. The third Master Class Seminar took "INVEST SAMOA" to London as a stepping stone into the European market. The objective of the Master Class Seminars is to provide a direct platform for SIFA Staff and Consultant to have face to face discussions with existing and prospective clients on Samoan solutions.

On the sponsorship front, we continued to contribute to the local community through sports and community welfare initiatives. Governed by the Sponsorship Guidelines and the Community Services Guidelines, requests were put through a qualifying process to vet proposals and processed according to the Sponsorship and Community Services Policies.

The sponsorship portfolio for this financial year included Samoa's elite sports teams and athletes (top 10 international ranking), projects or activities that have a national impact and national reach as well as events of world-wide status. "INVEST SAMOA" maintained Naming rights to the Manu Samoa Sevens team, the "INVEST SAMOA" Open Tournament, the Toa Samoa Rugby League team the Samoa National Netball team, and the WBO Heavyweight Champion – Laaulialemalietoa Joseph Parker.

Whilst the sponsorship is oriented towards activities that offer "INVEST SAMOA" exposure to desired target markets, the community services on the other hand contributed to initiatives that are often overlooked by the corporate community due to their marginal capacity to provide a return on investment due to the nature of their operations. For this financial year, our community services portfolio included National Hospital's children's ward, literacy, rehabilitation of deportees, Mapuifagalele, Senese, youth's spiritual health and victims of crime.

5. Developments

5.1 Professional Trainings, Workshops, Seminars and Conferences

The following training workshops and seminars were attended by our Staff during the year:

Professional Trainings and Workshops

- ⇒ Attachment with the New Zealand Companies Office in Auckland, New Zealand – August 2016
- ⇒ Internet Intelligence Course in London, United Kingdom – September 2016
- ⇒ Commonwealth Indian, Technical & Economic Cooperation (ITEC) Civilian Training Programme in India – November 2016
- ⇒ Global Forum Fast Track Review Training Seminar in Paris, France – February 2017
- ⇒ APG Assessor Training in Washington DC – March 2017
- ⇒ APG Assessor Training in Sydney, Australia – May 2017

Seminars and Conferences

- ⇒ 24th Meeting of the Peer Review Group in Paris, France – September 2016
- ⇒ 26th Offshore Oxford Symposium in United Kingdom – September 2016
- ⇒ APG Annual Meeting & Technical Assistance Forum 2016 in San Diego, USA – September 2016
- ⇒ 2016 China Offshore Summit in Shanghai – October 2016
- ⇒ Step Asia Conference in Hong Kong – November 2016
- ⇒ 19th International Conference of Banking Supervisors Meeting in Santiago, Chile – November 2016
- ⇒ 9th Plenary Meeting – Global Forum on Transparency & Exchange of International for Tax Purposes in Tbilisi, Georgia – November 2016
- ⇒ 2017 Corporate Registers Forum in Hong Kong- March 2017
- ⇒ 2017 GIFCS Plenary Meeting in London, April 2017
- ⇒ 14th Overview Course of Financial Sector Issues in Washington DC, in USA – June 2017
- ⇒ 2017 GIICS AGM Meeting in London – June 2017
- ⇒ 2017 (PRG) Peer Review Group Meeting in Panama City – June 2017

5.2 Online Registration System

SIFA upgraded its online system to use stronger security than most banks. Specifically, the system now uses Transport Layer Security version 1.2 with Modern Cryptography, a Secure Key Exchange, and Two-Way Authentication (most banks only use one way).

SIFA's systems are now protected from sophisticated eavesdropping, man in the middle, impersonation, and compromised key attacks.

In addition to the extensive new security features, the online system's infrastructure (operating system, web server, database, hypervisor, language, encryption engine, etc.) was overhauled to use the latest and most secure components available.

5.3 Social Club

The Authority continues to support the Social Club Committee through encouraging members of the club to participate in any activity, as well as fundraising to help implementation of activities, such as Sports Day, Challenge, Walk-a-Thon each month, especially funding for members of the office who were ill, and those whom God blesses through a new born baby, with those who were united in marriage. The management also helped the club by funding some of activities. The main purpose is for the Staff to relax, enjoy and participate in good physical, mental and spiritual activities together.

6. Samoa International Finance Authority Financial Performance

Audited Accounts Summary:

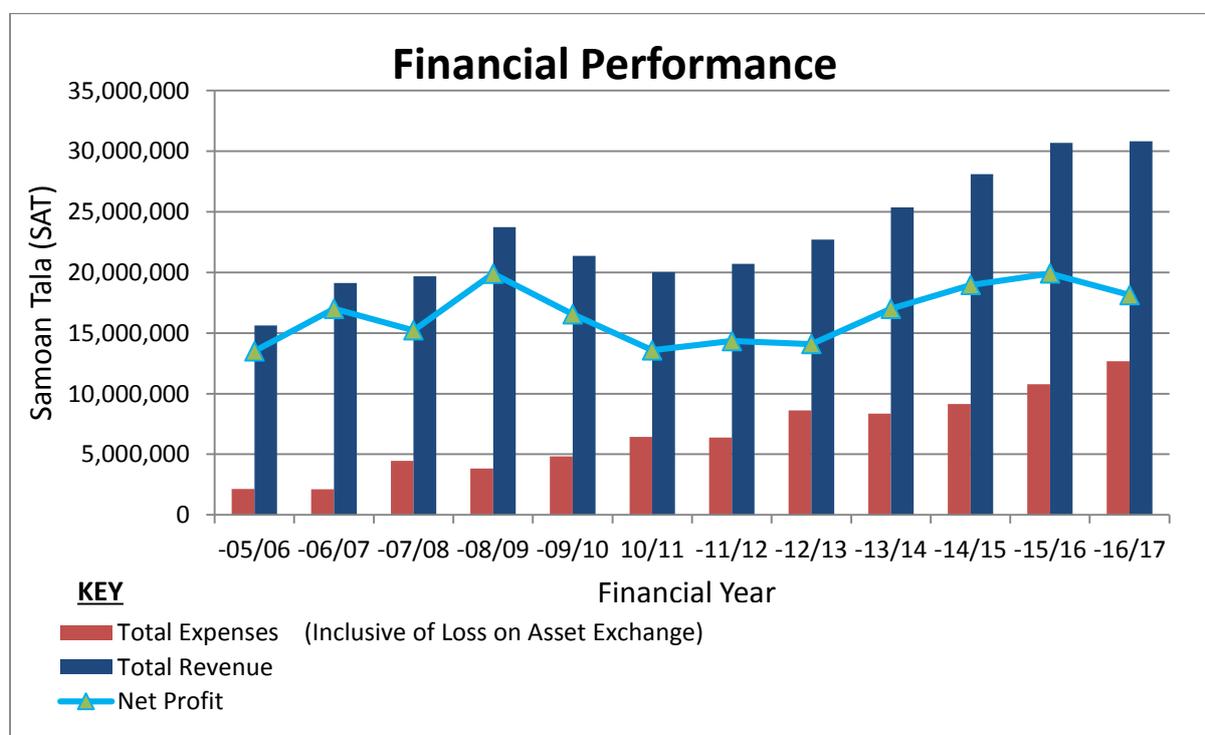
Financial position:

The Authority recorded an increase of approximately 5.3 percent in total assets from SAT71.6 million in the prior year to SAT75.4 million this financial year. These assets are mainly cash and term investments representing 86 percent of total assets.

Financial Performance:

The Authority recorded an increase of 1 per cent of the total revenue of SAT30.6 million compared to SAT30.3 million recorded in the prior year. Such increase is the result of the increase in the level of government fees collected during the year and the favourable interests earned on term investments. Total operating expenses showed a decrease of approximately 8.2 percent from SAT10.5 million expended in the prior year to SAT9.6 million recorded in the current financial year. The Authority's net profit for year ending 30 June 2017 has decreased by 8.9 percent from SAT19.9 million from prior year to SAT18.1 million recorded in the current financial year. The decrease is mainly due to the loss on asset exchange (SAT3 million) from the SIFA land at Sogi for the Old Government Court House on Beach Road based on a directive from the Government.

CHART 1:



FINANCIAL \$TATEMENTS

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**Samoa International Finance Authority Directors Report
For the Year Ended 30 June 2017**

The Directors present their report together with the financial statements of Samoa International Finance Authority (SIFA) for the year ended 30 June 2017 as set out on the accompanying pages and the Auditor's report thereon in accordance with the *Public Finance Management Act 2001* and the *Public Bodies and Accountability Act 2001* and the *Samoa International Finance Authority Act 2005* (SIFA Act).

Directors

The Directors of SIFA at the date of this report are:

Tuatagaloa Alfred Schwalger (Board Chairman)	Leafa Donald Kerslake
Lemalu Hermann Paul Retzlaff	Maiava Atalina Ainuu-Enari
Lavea Tupa'imatuna Iulai Lavea	Reverend Misiafa Tyrell
Magele Philip Penn	

The Board members were appointed on the 9th June 2014 for a term of three years.

Principal Activity

The principal activity of SIFA is to monitor and supervise the conduct of international financial services in Samoa. There has been no change in the principal activity of SIFA during the year or any of the classes of business that it operates in.

State of Affairs

In the opinion of the Directors:

- (i) the accompanying Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows are drawn up so as to give a true and fair view of the operations and results of SIFA for the year ended 30 June 2017
- (ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of SIFA as at 30 June 2017.

Operating Results

The net profit for the year is \$18,128,204 tala (2016: net profit \$19,905,450 tala).

General Fund

During the year the Directors approved a payment of \$15,000,000 (2016: \$15,000,000) from the General Fund to the Government for the year to 30 June 2017 in accordance with the SIFA Act.

Dividends

For the 2017/2018 financial year, the Directors shall pay into the Government Treasury Fund such amount, if any, as shall be determined by the Minister acting on the advice of SIFA.

Dated at Apia, this 31st day of October, 2017.

Signed in accordance with a resolution of the Directors.



Tuatagaloa Alfred Schwalger
CHAIRMAN



Maiava Atalina Ainuu-Enari
DIRECTOR

**Samoa International Finance Authority
Management Responsibility Statement
For the Year Ended 30 June 2017**

The accompanying Financial Statements are the responsibility of management. The Financial Statements have been prepared according to International Financial Reporting Standards and include amounts based on management's best estimates and judgements.

Management has established and maintains accounting and internal control systems that include written policies and procedures. These systems are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The Board of Directors oversees Management's responsibilities for Financial Reporting. The Financial Statements have been reviewed and approved by the Board of Directors on recommendation from Management.

Our independent Auditor (BDO Samoa), having been appointed by the Auditor General and Controller of the Independent State of Samoa, have audited our Financial Statements. The accompanying independent Auditor's report outlines the scope of their examination and their opinion.



Tootooleaava Dr. Fanaafi Aiono-Le Tagaloa
CHIEF EXECUTIVE OFFICER

Dated: 31 October 2017

INDEPENDENT AUDITOR'S REPORT

To the Controller and Auditor General on Samoa International Finance Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Samoa International Finance Authority (the Authority), which comprises:

- the statement of financial position as at June 30, 2017;
- the statement of financial performance, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Secretariat in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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 Authority'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 management either intends to liquidate the Secretariat or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 ISAs 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 ISAs, 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Authority's ability to continue as a going concern. If we conclude that a 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 Authority 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 planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO
Chartered Accountants



Hanalei Betham
Partner

Apia
Samoa
31 October 2017

Telephone: 27751
Fax: 24167
Email: info@audit.gov.ws
Website: www.audit.gov.ws



P.O. Box 13
APIA. SAMOA

Please address all correspondence to:
Controller and Chief Auditor

Audit Office

REPORT OF THE AUDIT OFFICE

TO THE GOVERNING BODY IN CHARGE OF GOVERNANCE – SAMOA INTERNATIONAL FINANCE AUTHORITY

Audit Opinion

We have audited the accompanying Financial Statements of the Samoa International Finance Authority, which comprises the Statement of Financial Position as at 30 June 2017, the Statements of Financial Performance, Changes in Equity and Cash Flows for the year ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. 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, the financial statement give a true and fair view of the financial position of Samoa International Finance Authority as at 30 June 2017, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Authority'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 management either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Authority'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 date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our audit was completed on the 31st October 2017 and our opinion is expressed as at that date.

Apia, Samoa
31 October 2017


Fa'amatua'ina Dennis Margaff
ACTING CONTROLLER AND AUDITOR GENERAL

**SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	2017 WS\$	2016 WS\$
ASSETS			
Non-current assets			
Property plant and equipment	4	6,489,424	9,637,735
Intangible Assets	5	365,283	334,301
Receivables and prepayments	6	1,773,450	2,883,190
Investments	7	15,430,000	14,370,000
		24,058,157	27,225,226
Current assets			
Cash and cash equivalents	8	49,514,309	43,032,643
Receivables and prepayments	6	1,926,268	1,393,412
		51,440,577	44,426,055
TOTAL ASSETS		75,498,734	71,651,281
EQUITY AND LIABILITIES			
Equity			
General Fund		73,119,838	67,550,315
Asset Revaluation Surplus	4	-	2,441,500
Total equity		73,119,838	69,991,815
Current liabilities			
Payables and accruals	9	2,309,386	1,542,782
Provisions	10	69,510	116,684
Total liabilities		2,378,896	1,659,466
TOTAL EQUITY AND LIABILITIES		75,498,734	71,651,281

The accompanying notes form an integral part of the above Financial Statement.

On behalf of the Board and in accordance with the Board resolution dated 31st October 2017.



Chairman



Director

**SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 WS\$	2016 WS\$
Income			
Incorporation and annual fees		26,429,582	26,945,771
Licence fees		256,641	308,579
Other income and gains		1,188,425	1,473,645
Interest Income		2,796,457	1,588,545
Total income		30,671,104	30,316,540
Expenses			
Audit fees		22,799	20,114
Depreciation Costs	4	233,466	225,541
Amortisation Costs	5	64,951	47,085
Communication		101,297	101,042
Directors fees		80,500	79,503
Printing and stationery		158,072	170,611
Promotions	11	5,380,383	6,579,532
Occupational Costs		462,483	403,950
Staff Costs		2,185,577	2,003,275
Others		997,136	929,111
Total expenses		9,686,665	10,559,764
Other Gains/Losses			
Unrealised Gain / (Loss)		60,000	(220,000)
Exchange Gain / (Loss)		83,740	368,674
Gain/(Loss) on Asset Exchange		(3,000,155)	-
Total Other Gains/Losses		(2,856,415)	148,674
Net profit for the year		18,128,024	19,905,450
Other Comprehensive Income			
Gain on Asset Revaluation	4	-	2,441,500
Total Other Comprehensive Income		-	2,441,500
Total Net Comprehensive Income		18,128,024	22,346,950

The accompanying notes form an integral part of the above Financial Statement

**SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 WS\$	2016 WS\$
Balance in General Fund at beginning of year		69,991,815	62,644,865
Add:			
Net profit for the year		18,128,024	19,905,450
Asset Revaluation Surplus/(Loss)		-	2,441,500
Less Payments to the Government of Samoa	12	(15,000,000)	(15,000,000)
Balance in General Fund at end of year		<u>73,119,838</u>	<u>69,991,815</u>

The accompanying notes form an integral part of the above Financial Statement.

**SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 WS \$	2016 WS \$
Cash flows from operating activities			
Fees and license revenues		27,360,002	28,024,645
Cash paid to employees		(2,365,280)	(1,957,467)
Cash paid for rent and maintenance		(347,316)	(287,957)
Cash paid for promotional expenses		(4,012,553)	(6,206,458)
Cash paid for other expenses		(1,965,916)	(878,811)
Net advanced deposits		1,245,961	458,714
Net cash generated from Operating activities		19,914,897	19,152,666
Cash flows from investing activities			
Interest received		2,664,272	1,543,191
Gain on Sale of Fixed Asset		-	4,314
Acquisition of fixed assets		(181,243)	(583,073)
Investment in UTOS		(1,000,000)	(5,000,000)
Dividend and interest income from UTOS investment		-	619,038
Net cash generated from Investing activities		1,483,029	(3,416,530)
Cash flows from financing activities			
Payment to the Government of Samoa		(15,000,000)	(15,000,000)
Net cash generated from Financing activities		(15,000,000)	(15,000,000)
Net Increase/Decrease in Cash		6,397,926	736,136
Cash and cash equivalent as at beginning of year		43,032,643	41,927,833
Plus: Effect of Exchange Differences		83,740	368,674
Cash and Cash Equivalents at end of year	8	49,514,309	43,032,643

The accompanying notes form an integral part of the above Financial Statements

1. GENERAL INFORMATION

The Samoa International Finance Authority (SIFA) is established under the *Samoa International Finance Authority Act 2005*. The address of its main office and principal place of business is at Level 6 of the Development Bank of Samoa Building. The Authority administers and supervises the registration of companies and the licensing of banks, insurance, mutual funds and trustee companies under various international financial services legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and the laws of Samoa, in particular the *Samoa International Finance Authority Act 2005*.

The accounts have been prepared on the basis of historical costs, modified by the revaluation of certain assets and liabilities as outlined below.

Set out below is a summary of the significant accounting policies adopted by SIFA and in particular the accounting policy adopted where there exists a choice between two or more acceptable policies.

All amounts are presented in Samoan tala which is also the Authority's functional currency.

b) Comparative amounts

To ensure consistency with the current year, comparative figures have been reclassified where appropriate.

c) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

d) Property, Plant and Equipment

Depreciation is provided on all property, plant and equipment so as to write off the assets over their estimated economic lives. The straight line method of depreciation has been used. The main categories of property, plant and equipment and their respective economic lives are:

Furniture and fittings	10 years
Office equipment	5 years
Motor Vehicle	5 years
Leasehold improvements	10 years
Land	not depreciated
Building	20 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Intangible Assets

The computer software is subsequently carried at cost less accumulated amortisation. These costs are amortised to profit or loss using the straight-line method over their estimated useful life of five (5) years.

f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank and bank term deposits which have an insignificant risk of change in value upon drawdown.

g) Impairment losses

The Authority assesses at each balance date whether there is any objective evidence that any asset is impaired and appropriate action is taken to write off any impairment losses assessed.

h) Revenue recognition

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due and or associated costs.

i) Employee entitlements

The provision for employee entitlements to annual leave and long service leave are accrued at current pay rates in respect of an employee's service up to the balance date.

j) Taxation

SIFA is exempt from income tax under section 23 of *Samoa International Finance Authority Act 2005*.

k) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Authority reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

l) Financial assets

The Authority classifies its financial assets as loans and receivables and at fair value through profit and loss. 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 are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. These financial assets include bank accounts, term deposits and accounts receivable. Loans and Receivables comprise loans to employees, are carried at amortised cost using the effective interest method.

SAMOA INTERNATIONAL FINANCE AUTHORITY – NOTES TO FINANCIAL STATEMENTS 30 JUNE 2017

Financial assets at fair value through profit or loss are financial assets held for trading and are initially recognised at fair value whilst transaction costs are expensed. They are subsequently carried at fair value. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other income and other gains' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Authority's right to receive payments is established.

m) Leases

Operating lease payments, where the lessors effectively retain substantially all the risk and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

3. INFORMATION ABOUT KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

3.1 Critical accounting estimates and assumptions

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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.

(a) Provisions - Provisions-doubtful debts and employee benefits

Provisions are measured at the value Management best estimates an expenditure to be incurred at, to settle a present obligation at balance date. Market situations are often used to estimate provisions. Changes in market situations will create a difference between provisions with the recorded figures. Whilst the fact remains that uncertain issues such as bad debts exist, Management as a benchmark makes adequate provisions based on past record and the foreseeable future. The provisions are aligned once the final outcome is known at balance date.

(b) Depreciation

On acquiring an asset, Management determines the most reasonable length of time it expects the Authority to maintain that asset with reference to characteristics of similar assets or classes of assets held by the Authority presently or in the past. Where there is no reference available to assets or classes of assets held at present or in the past, reference is made to industry benchmarks.

Each year Management assesses the carrying value of assets to determine whether they are impaired. Appropriate revisions to policies are made, if necessary, or any significant impairment losses are accounted for in the financial statements as corrective measures. Appropriate disclosures would normally follow.

3.2 Critical judgements in applying the entity's accounting policy

In applying its accounting policies, the Authority is not aware of any significant risk of material adjustment to the carrying amount of assets and liabilities that may change within the next financial year.

**SAMOA INTERNATIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

4. Property, plant and equipment

2017

<u>Cost</u>	<u>30-Jun-16</u>	<u>Additions /Revaluation</u>	<u>Disposals</u>	<u>30-Jun-17</u>
Land*	8,856,155	(4,040,155)	-	4,816,000
Furniture and fittings	675,785	2,470	-	678,255
Office equipment	998,207	82,840	-	1,081,047
Motor vehicles	361,500	-	-	361,500
Lease improvements	156,363	-	-	156,363
Building	-	1,040,000	-	1,040,000
	11,048,010	(2,914,845)	-	8,133,165

<u>Accumulated depreciation</u>	<u>30-Jun-16</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>30-Jun-17</u>
Furniture and fittings	388,193	41,579	-	429,772
Office equipment	688,704	106,517	-	795,221
Motor vehicles	192,653	52,400	-	245,053
Lease improvements	140,725	15,636	-	156,361
Building	-	17,333	-	17,333
	1,410,275	233,466	-	1,643,741
Net book value	9,637,735			6,489,424

2016

<u>Cost</u>	<u>30-Jun-15</u>	<u>Revaluation</u>	<u>Disposals</u>	<u>30-Jun-16</u>
Land*	6,414,655	2,441,500	-	8,856,155
Furniture and fittings	479,056	224,238	(27,509)	675,785
Office equipment	990,108	109,429	(101,330)	998,207
Motor vehicles	361,500	-	-	361,500
Lease improvements	156,363	-	-	156,363
	8,401,682	2,775,167	(128,839)	11,048,010

<u>Accumulated depreciation</u>	<u>30-Jun-15</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>30-Jun-16</u>
Furniture and fittings	-	-	-	-
Furniture and fittings	369,352	40,485	(21,644)	388,193
Office equipment	671,010	117,020	(99,326)	688,704
Motor vehicles	140,253	52,400	-	192,653
Lease improvements	125,089	15,636	-	140,725
	1,305,704	225,541	(120,970)	1,410,275
Net book value	7,095,978			9,637,735

**SAMOA INTERNATIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

*The Authority engaged Elon Betham & Associates Ltd, a Licensed Public Valuer, to determine the market value of its land property located at Sogi. The date of the revaluation was the 5th of February 2016 which was the first revaluation since the Authority acquired the land in 2007. A directive from Government to exchange old Court house with the land at Sogi resulted to a \$3 million tala loss on asset exchange in SIFA's books as at June 2017.

5. Intangible Asset

2017

Cost	30/06/16	Additions	Disposals	30/06/17
SIFA Registration System	617,075	33,558		650,633
Front Accounting System (Work in Progress)	121,257	62,375		183,632
	<u>738,332</u>	<u>95,933</u>	-	<u>834,266</u>
Accumulated Amortisation	30/06/16	Amortisation	Disposals	30/06/17
SIFA Registration System	404,031	64,951	-	468,982
Net book value	334,301	30,981	-	365,283

6. Receivables and prepayments

	2017	2016
Non - Current	<u>1,773,450</u>	<u>2,883,190</u>
Employee loans - secured	<u>1,773,450</u>	<u>2,883,190</u>
Current		
Employee loans - secured	165,404	279,378
Less provision for doubtful loan	-	-
	<u>165,404</u>	<u>279,378</u>
Trust Account	362,658	448
Interest receivables	1,097,153	617,018
Prepaid expenses	<u>301,053</u>	<u>496,567</u>
	<u>1,926,268</u>	<u>1,393,411</u>

Employee loans are interest bearing secured over tangible assets of the employee and generally for terms of 2 to 20 years.

These loans are expected to mature as follows:

Not later than 12 months	10,388	16,485
Later than 1 year but not later than 5 years	86,146	162,965
Later than 5 years	<u>1,842,321</u>	<u>2,983,118</u>
	<u>1,938,855</u>	<u>3,162,568</u>

**SAMOA INTERNATIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

7. Investment	2017	2016
Units in UTOS at fair value at beginning	2,900,000	1,590,000
Additional Units Purchased during the year	-	1,530,000
Movement in fair value at balance date 30 June 16	-	(220,000)
Movement in fair value at balance date 30 June 17	60,000	-
Investment in UTOS at fair value at end	<u>2,960,000</u>	<u>2,900,000</u>
UTOS investment - convertible notes	2,000,000	4,000,000
UTOS investment – promissory notes	<u>10,470,000</u>	<u>7,470,000</u>
	<u>15,430,000</u>	<u>14,370,000</u>

SIFA purchased \$1,000,000 worth of units from UTOS at \$1.00 a unit in April 2011 and another \$1,000,000 worth of units purchased in February 2016 at \$1.53 per unit. Fair value of these units were calculated based on the unit price publicised by UTOS at \$1.48 per unit as at 30 June 2017.

During the year, SIFA placed a new investment with UTOS of \$3,000,000 in promissory notes at 5.2 % interest per annum for two (2) years. Two (2) convertible notes of \$2,000,000 each will mature in January 2018 and February 2018 respectively.

8. Cash and cash equivalents	2017	2016
Cash and bank balances	2,803,378	919,599
Fixed deposits	<u>46,710,931</u>	<u>42,113,044</u>
	<u>49,514,309</u>	<u>43,032,643</u>

Cash on hand is not significant and bank balances are held in local commercial banks. Fixed deposits are also with the local commercial banks at terms ranging from 6 to 12 months at interest rates of between 3.00% to 5.15% pa.

Spread of the total term deposit as at 30 June 17 which are held by the 4 major trading banks is shown below:

<u>Banks</u>	<u>%</u>	<u>Total</u>
ANZ	17%	8,000,881
BSP	28%	12,923,920
NBS	26%	12,276,225
SCB	29%	13,509,905
Total	100%	46,710,931

**SAMOA INTERNATIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

9. Payables and accruals	2017	2016
Client deposits	1,089,180	1,066,933
Accrued expenses	837,783	87,226
Trust Fund	382,424	388,623
	<u>2,309,386</u>	<u>1,542,782</u>

Client deposits are funds deposited by the trustee companies in advance to pay for incorporation and or renewal fees of their clients when due. Trust funds are funds from defunct companies which are held by SIFA pursuant to section 199 of the *International Companies Act 1988* for a period after which will be transferred to the Ministry of Finance to be dealt with under the *Public Finance Management Act 2001*.

10. Provisions	2017	2016
Annual leave	69,510	116,684
	<u>69,510</u>	<u>116,684</u>

Movement in provisions:	Annual leave	Annual leave
Balance at beginning of year	116,684	75,171
Paid out during the year	-	-
Utilised during the year	(101,412)	(33,253)
Additional charged to income	54,237	74,766
	<u>69,510</u>	<u>116,684</u>

11. Promotions	2017	2016
Promotions - other	4,704,953	5,898,157
Seminars and conferences	556,708	550,037
Memberships	118,722	131,338
	<u>5,380,383</u>	<u>6,579,532</u>

Promotions include sponsorship costs for national sporting teams and presentations for the promotion of Samoa's international financial services.

12. Distribution to Government

Commitment to Government of Samoa	<u>15,000,000</u>	<u>15,000,000</u>
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Total Contribution of \$15,000,000 was committed to Government for the Current Financial Year 2016/2017 under section 18 of the *Samoa International Finance Authority Act 2005*.

13. Contingent liabilities

The Authority remains a defendant in litigation currently before the Supreme Court of Samoa. However, the court proceedings are yet to be completed and any costs or liability at the date of this financial report are uncertain (2016/2017: nil).

14. Operating lease commitments

The Samoa International Finance Authority is leasing office space from the Development Bank of Samoa at a monthly rental of \$18,128.03 for an initial period of five years, with an option of renewal after that date. This covers rent for Levels 3 and 6 as well as Car parks. SIFA also leased the first floor level of the SNPF Premises at Vaitele as an offsite office in January 2015 at a total monthly rental of \$5,271.60 for a period of five (5) years, with an option of renewal after that date.

	2017	2016
Operating lease payable is as follows:		
Not later than 1 year	280,796	257,474
	280,796	257,474

15. Key management personnel disclosures

Compensation of key management personnel:

Remuneration	755,886	477,007
Directors fees and allowances	64,876	64,715

The remuneration of Key Management personnel are determined by Cabinet and the Board. Key Management personnel include the CEO, Assistant CEOs (2), Managers and Assistant Managers Marketing, Administration, Accounts/Compliance and Registration.

16. Financial instruments

(a) Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially subject SIFA to credit risk principally consist of bank deposits and staff receivables.

SIFA manages its exposure to credit risk by investing in financial institutions with ratings equal or higher than its own and by taking security for advances to staff.

Maximum exposure to credit risk at balance date are:

	2017	2016
Bank balances	49,514,309	43,032,643
Interest accrued	1,097,153	617,019
Staff loans	1,938,854	3,162,568

SAMOA INTERNATIONAL FINANCE AUTHORITY – NOTES TO FINANCIAL STATEMENTS 30 JUNE 2017

(b) Currency risk

SIFA has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. The foreign currencies in which SIFA primarily transacts is US dollars. It is not SIFA's policy to hedge against these exposures.

At balance date SIFA has the following exposure to the US Dollar:

	2017	2016
Financial asset:		
Cash and cash equivalents	1,068,268	570,915
Financial liabilities:		
Customer deposits	(1,089,180)	(1,066,933)
Net Exposure	<u>(20,912)</u>	<u>(496,018)</u>

The following sensitivity is based on the foreign currency risk exposures in existence at the balance date and the effect on net profit:

	Higher/(Lower)	Higher/(Lower)
WS\$/USD + 5%	1,046	24,801
WS\$/USD - 5%	(1,046)	(24,801)

The Following Rates were used for conversion of USD Balances as at:

30/06/2017	-	0.4073
30/06/2016	-	0.4011

(c) Interest rate risk

Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments. SIFA's loans to Staff are generally at fixed rates and therefore do not pose any significant interest rate risk.

Cash flow interest rate risk is the potential for a change in interest rates to change interest earnings. SIFA manages this risk in relation to its fixed deposits by negotiating with all four commercial banks for the most favourable rates available.

17. Approval of financial statements

The Financial Statements were approved by the Board and authorised for issue on 31st October, 2017.