



2019 ANNUAL REPORT

14th EDITION

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Government of Samoa
OFFICE OF THE MINISTER OF FINANCE

29 November 2019

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 2019, together with the audited accounts for that period and the report of the Auditor on those accounts.

A handwritten signature in blue ink, appearing to be 'Sili Epa Tuioti'.

Sili Epa Tuioti
MINISTER OF FINANCE



Samoa International Finance Authority

Please address correspondence to
THE CHIEF EXECUTIVE OFFICER

26 November 2019

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 1st July 2018 to 30th June 2019.

The report comprises:

- (a) a report on the Authority's operations during the twelve (12) months ending on 30 June 2019; and
- (b) the Authority's audited accounts for the twelve (12) months ending June 2019 together with the auditor's report.

Yours faithfully

Li'o Heinrich Siemsen
ACTING CHIEF EXECUTIVE OFFICER

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CHAIRMAN'S STATEMENT



I am pleased to present the Annual Report for the Samoa International Finance Authority (SIFA) for the financial year 2018/2019.

The 2018/2019 financial year was another challenging year as SIFA continued to pursue a policy of excellence in the regulation and supervision of registered and licensed entities within the ambit of Samoa's jurisdiction.

It was also an unfortunate year where the European Union (EU) listed Samoa (not SIFA) as a non-cooperative jurisdiction under its list of countries with 'non cooperative tax regimes', according to EU rules. It should be noted that the international standard setter on this matter for Off-shore Financial Centres is the Organization for Economic Development and Cooperation (OECD) and not the EU.

Samoa is rated as 'partially compliant' under the OECD rating system and is being reviewed to progress to the next level up in the near future.

Against a backdrop of innuendos, ambiguities and the difficulties associated with the EU listing, SIFA still managed to work in close collaboration with most of the licensed Trust Company Service Providers.

In the conduct of its general business, figures for the year in review indicated a decline of over 30% in new companies registered (new incorporations). The decline is attributed to more strict regulations about 'de-risking' by several international organizations like the OECD and FATF (Financial Action Task Force). SIFA however continued to maintain its high level of 'renewed registrations' at over 85% of companies already in its registry.

Efforts to upskill the management team and technical staff of SIFA were effected mostly through international standard setter forums and plenaries. Despite the many changes in the world of international finance and wealth management, SIFA managed to achieve excellence in most areas of off-shore financing.

On the local front, SIFA capitalised on sponsorship opportunities offered by local sporting bodies such as Samoa Rugby Union, Rugby League Samoa and Samoa Netball Association to further promote its products and its profile in the local community.

The corporate/financial performance of SIFA was once again exceptional. For the year in review, SIFA made a net profit of SAT23.5 million an increase of 8 percent from the previous year. For the 3rd year in a row, SIFA paid SAT15 million to the Ministry of Finance to support the government budget.

SIFA was able to achieve these excellent results because of support from Government, 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'. The signature is fluid and cursive.

Tuatagaloa Alfred Schwalger

CHAIRMAN SIFA BOARD OF DIRECTORS

ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT



The 2018/2019 financial year began with a clear focus on checking the compliance of all licensed Trust Company Service Providers (TCSPs) against our international financial services legislation as we prepared to host assessors from the OECD-Peer Review Group on Transparency and Exchange of Information for Tax Purposes.

Our preparation sparked crucial amendments to our laws and increased the number of international companies to be tested for availability of their beneficial ownership information and accounting records.

We are confident that our efforts would contribute to an improved rating for Samoa in the implementation of the OECD Global Forum international standards on transparency and exchange of information for tax purposes. Samoa was rated Partially Compliant in 2015 and is now in a good position to improve to Largely Compliant after its second round review in October 2019.

The new SIFA Strategic Plan 2019-2020 continues our Vision: 'Moving with the times' and Mission: 'To secure a niche for Samoa in the Global Market as a reputable financial services centre'.

It continues to draw on SIFA's statutory functions under the Samoa International Finance Authority Act 2005 as follows:

- Effectively monitor and supervise the conduct of international financial services provided within Samoa.
- Protect and maintain the good repute of Samoa as an international financial services centre.
- Recommend the creation and improvement of any facilities to enhance the attraction of Samoa as an international financial services centre.
- Recommend new and amended legislation for international financial services.
- Effectively coordinate the cooperation between public and private sector agencies concerned with international financial services.

The foresight given to our functions that are embedded in our principal Act confirms that SIFA as an international finance centre is a responsible member of the global community in the fight against money laundering, terrorist financing, corruption, tax avoidance, and tax evasion to name a few.

We continue to look at Asia for business and welcome any opportunity that may arise from other parts of the world.

SIFA on behalf of Samoa is a member of several international standard setting bodies. It has proven its commitment throughout the year by having its Management and technical staff attend meetings and workshops conducted by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes, the International Monetary Fund (IMF), the Corporate Registers Forum (CRF), the Group of International Finance Centre Supervisors (GIFCS), the Group of International Insurance Centre Supervisors (GIICS) and the Asia Pacific Group (APG) on anti-money laundering and counter terrorism financing. As a member of these international bodies and the cross border nature of SIFA's business necessitates cooperation amongst regulators and supervisors as access to information and ability to exchange them is key to ensure that business flowing to and from Samoa is of good quality.

In closing, may the precious name of our God, Lord Jesus Christ be glorified for all the work that we were able to do in 2018/2019.

God Bless.



Li'o Heinrich Siemsen
ACTING 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 trust company service providers.

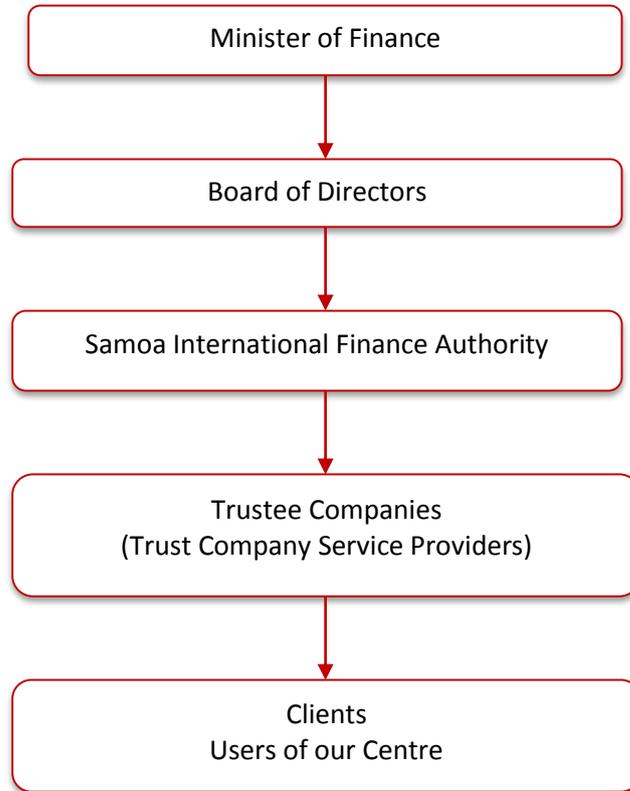
SIFA is administered by a Board of Directors consisting of 3 Government Officials (the Governor of the Central Bank, the Attorney General and the Chief Executive Officer of the Ministry of Finance) and 4 Directors from the Private Sector. The latter must have financial services background with relevant knowledge, experience and expertise to help SIFA in its operations. The Chairman is elected from the 4 Private Sector Directors.

SIFA performs a regulatory and supervisory function where the ultimate objective is to protect and uphold the reputation and integrity of our Centre whilst occasionally raise the awareness of potential investors of its 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): Loau Donald Kerslake, Magele Philip Penn.

Sitting (L-R): Muagututia Lafaele Ngau Chun, Tuatagaloa Alfred Schwalger – Chairman, Maiava Atalina Ainuu – Enari – Governor Central Bank of Samoa.

Absent: Lemalu H.P. Retzlaff – Attorney General, Leasiosiofaasisina Oscar Malielegaoi – CEO Ministry of Finance.

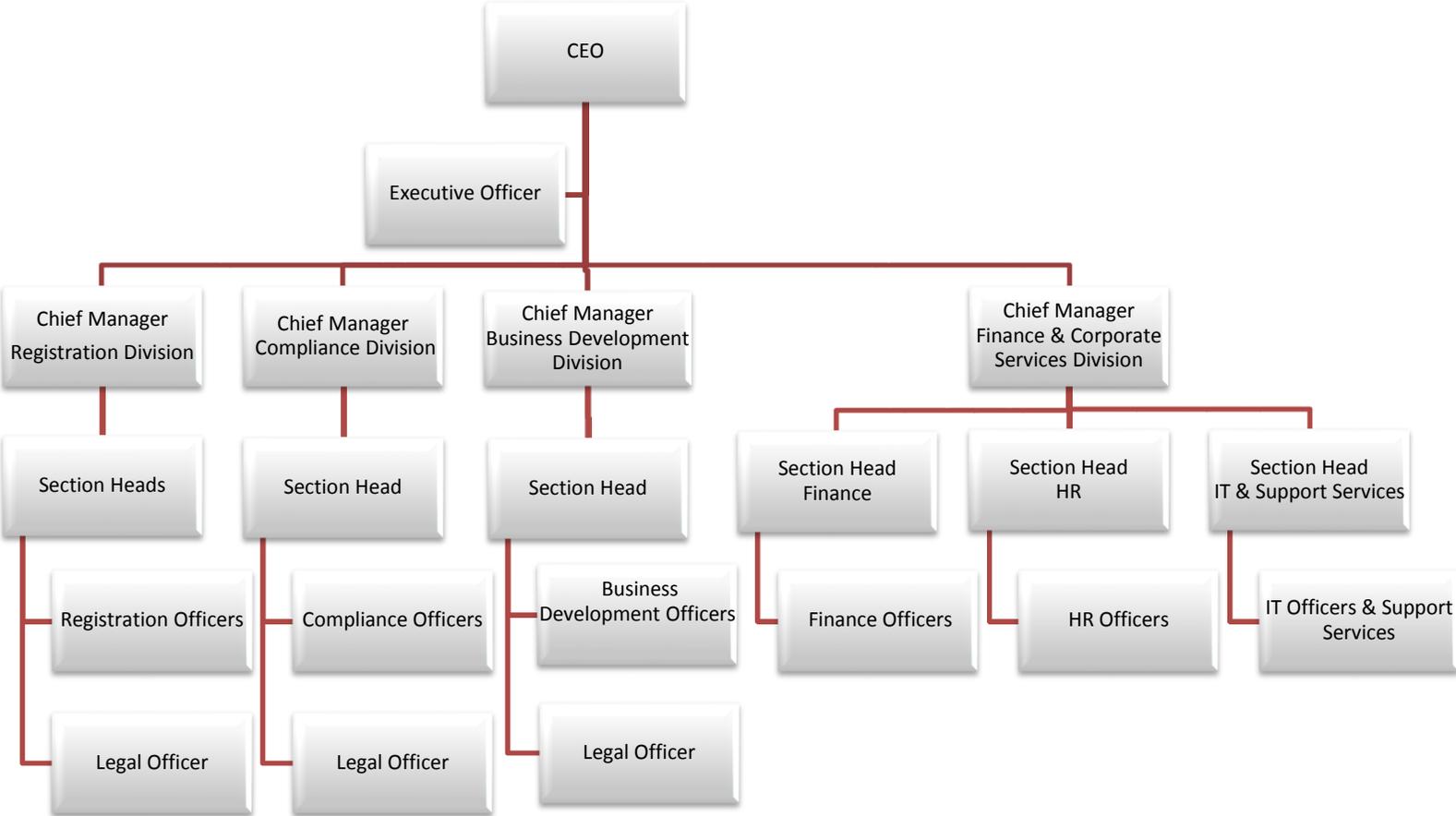
2.2 Management



(L-R): Tagaloa Koroseta Lesatele – Section Head Human Resources, Alolua Ramona Rimoni-Jahnke – Section Head Archives, Apostilles & Charges, Taofinuu Kalala Mataia – Section Head Quality Assurance , Li’o Heinrich Siemsen – Chief Manager Registration, Aliimalemanu Kolisi Simamao – Section Head Compliance, Mataia Mesepa Tapuitema Lafaialii-Petaia – Chief Manager Business Development, Luaipou Iosefa – Section Head Registration & SRS, Tootoooleaava Dr. Fanaafi Aiono-Le Tagaloa – Chief Executive Officer, Cheshire Malua – Chief Manager Compliance

Absent: Desmond Chan Ting – Section Head Finance, Moana Ah Poe – Section Head IT & Support Services, Watsonia Fereti – Section Head Business Development

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* and administers the following legislation. To ensure compliance with international standards and keeping abreast of developments in the offshore world, SIFA regularly review its laws.

1. *International Companies Act 1988*
2. *International Insurance Act 1988*
3. *International Partnership and Limited Partnership Act 1998*
4. *Segregated Fund International Companies Act 2000*
5. *Samoa International Finance Authority Act 2005*
6. *International Banking Act 2005*
7. *International Mutual Funds Act 2008*
8. *Electronic Transactions Act 2008*
9. *Special Purpose International Companies Act 2012*
10. *Trusts Act 2014*
11. *Foundations Act 2016*
12. *Trustee Companies Act 2017*

4. Activities of the SIFA

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

- ⇒ Corporate Registers Forum (CRF);
- ⇒ Group of International Insurance Centre Supervisors (GIICS);
- ⇒ International Tax Planning Association (ITPA);
- ⇒ Group of International Finance Centre Supervisors (GIFCS);
- ⇒ OECD's Global Forum and the Global Forum's Peer Review Group on Transparency and Exchange of Information for Tax Purposes.
- ⇒ International Association of Insurance Supervisors (IAIS)

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

4.1 Registration Division: Provides registration services for international companies and other vehicles such as segregated fund international companies, international mutual funds, special purpose international companies. 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 through a licensed trustee company. The incorporation fee is USD300.00 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 schedules available on Invest Samoa's website.

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

January and February are peak months for the Registration Division. The total number of new international companies registered with SIFA for this financial year is 2,244. Live international companies on the Register as at 30th June 2019 totalled 34,972.

The total gross number of international companies registered with SIFA since inception is 85,118.

There are currently 13 licensed trustee companies or trust company service providers that link Samoa to global investors.

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

4.2 Compliance Division

The Compliance Division is enabled by the *Samoa International Finance Authority Act 2005* to pursue the supervision of entities licensed under various international financial services legislation such as trustee companies, international banks, international insurance companies and international mutual fund companies.

The Compliance Team comprising of 7 staff members ensures that all the licensed international entities operating in Samoa comply with the relevant laws that take into account international standards. Our compliance officers continue to build their supervisory and regulatory knowledge by attending seminars and trainings organised by international standard setters and participating in online webinars.

The principal legislation governing the establishment and supervision of international entities includes the *International Companies Act 1988*, *International Insurance Act 1988*, *International Partnership & Limited Partnership Act 1998*, *Samoa International Finance Authority Act 2005*, *International Banking Act 2005*, *Money Laundering Prevention Act 2007*, *International Mutual Funds Act 2008*, *Trusts Act 2014*, *Foundations Act 2016*, *Trustee Companies Act 2017* and *Segregated Fund International Companies Act 2000*.

The Compliance Team carried out 1 round of onsite visits during the financial year covering 12 Trustee Companies. This round tested about 3 percent of the total number of live international companies, as well as 2 international banks and 2 international insurance companies, on the availability and accessibility of their accounting records and beneficial ownership information.

As at the end of June 2019, the number of international entities licensed with SIFA are as follows:

<i>Licensed Entities</i>	<i>No</i>
<i>Trustee Companies</i>	13
<i>International Banks</i>	2
<i>International Insurance Companies</i>	2
<i>International Mutual Fund Managers and Administrators</i>	3
<i>International Mutual Fund Companies</i>	4
<i>International Insurance Managers</i>	2
<i>Registered Auditors</i>	18
<i>Registered Liquidators</i>	16

4.3 Finance & Corporate Services

4.3.1 Finance

For this financial year, the Finance Team endeavoured to meet all its functions that is to record, report and maintain financial information in order to assist the Board and Management in their decision making.

With the newly custom-made **FRONT ACCOUNTING**, the Finance Team is able to prepare the monthly, quarterly and annual reports in speed let alone maintaining efficiency and reliability.

Our audit for the financial year 2018-2019 commenced on the 8th July 2019 and was completed and signed on the 24th October 2019.

It has indeed been another successful year for the Finance Team.

4.3.2 Human Resources

The Human Resource Team's main task is to administer and coordinate the overall work of the staff to ensure their employment needs are fully supported. It is also their responsibility to develop and maintain a skilled and knowledgeable workforce to effectively and efficiently carry out SIFA's functions.

SIFA currently has 12 Management Staff and 36 Support Staff. One Registration Officer resigned in July 2018 to migrate with her family to New Zealand and a temporary officer took up a post with the National University of Samoa in March 2019.

4.3.3 IT & Support Services

There are 9 members of the IT & Support Services Division, 2 IT officers are assigned to provide and uphold ICT policies as well as installation of all ICT equipment, software and networks. They also ensure continuous support for all SIFA users on the use of any ICT equipment, maintenance and security of all ICT equipment, software and networks. The 2 IT officers have been attending relevant trainings and consultations on ICT matters, as well as keeping up to date with changes in local Government ICT policies and legislation.

Our support officers (7), provide general administration services in relation to Office needs such as leasing, procurement, reception, transportation, maintenance and cleaning, and providing a librarian for the paediatric unit of the National Hospital which is sponsored by SIFA.

4.4 Business Development Division

The Business Development Division (BDD) successfully carried out its core functions pursuant to the *SIFA Act 2005*.

Marketing work continued under the promotional brand of “INVEST SAMOA” through a Series of Seminar Presentations lead by SIFA Consultant Mr Mark Lea, followed by one on one meetings with selected contacts as part of our efforts to establish a niche market in mainland China as well as securing distribution networks with Chinese professional service providers to disseminate information on Samoan solutions for international estate planning and structuring and international financial services information.

“INVEST SAMOA” attended the annual China Offshore Summit Conference in Shanghai in October 2018 and subsequently the annual STEP Asia Conference in Hong Kong in November 2018 for brand awareness and capacity building.

Representatives of “INVEST SAMOA” attended STEP Arabia for the first time in its efforts to explore potential markets for SIFA’s solutions.

Conference attendance was extended to Hanoi, Vietnam through the Asia Offshore Association in May 2019 in view of Vietnam being one of the fastest growing economies of the world.

The “INVEST SAMOA newsletter” issued 2 Editions in October 2018 and March 2019 being a crucial aspect of BDD’s work providing a portal of information on current issues and developments that affect the work of our industry here in Samoa and abroad.

Local capacity building and professional development initiatives continued the drive for Invest Samoa’s promotional campaign through a ‘Hot Spot’ with the Samoa Law Society held on the 30th August 2018. The Hot Spot forum was initiated to create further open discussions on legal aspects of the international solutions available for potential users, as well as the opportunities available to the local professionals in that respect.

In the wake of international events altering the international finance landscape, BDD continues to look at ways to progress with its marketing plan whilst at the same time taking note of the constant and prevalent changes affecting the conduct of business and way forward for SIFA.

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

Sponsorships for this financial year included Samoa’s national sports teams, projects or activities that have a national impact and reach.

“INVEST SAMOA” maintained the Naming Rights to the Manu Samoa Sevens team, the Toa Samoa Rugby League team, INVEST SAMOA Open 2019 and Samoa National Netball Team.

Whilst sponsorship is oriented towards activities that offer “Invest Samoa” exposure in desired target markets, the community services on the other hand contributed to activities 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 service portfolio included the National Hospital Children’s library, literacy, education, animal protection, leadership and rehabilitation of deportees, Mapuifagalele Home for the Elderly, youth’s spiritual health and victims of crime.

5. Development

5.1 Professional Trainings, Workshops, Seminars and Conferences

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

Professional Trainings and Workshops

- ⇒ Asia Pacific Group Assessors Training in Auckland, New Zealand – March 2019
- ⇒ Training Attachment with the New Zealand Companies Office in Auckland, New Zealand – May 2019
- ⇒ Oxford Management Centre Training – Leading High Performing Teams / Mastering People Management & Team Leadership in London – June 2019

Seminars and Conferences

- ⇒ 21st Asia Pacific Group Annual Meeting in Kathmandu, Nepal – July 2018
- ⇒ Fair Taxation in the Context of the European Union Listing of Non-Cooperative Jurisdiction's Meeting in Nadi, Fiji – August 2018
- ⇒ 30th Meeting of the Peer Review Group in Paris, France – September 2018
- ⇒ 11th Plenary Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes in Uruguay – November 2018
- ⇒ Group of International Finance Centre Supervisors (GIFCS) Meeting and 20th International Conference of Banking Supervisors (ICBS) in Abu Dhabi – November 2018
- ⇒ 2nd Round Peer Review of Nauru on Exchange of Information on Request – November 2018
- ⇒ 31st Peer Review Group Meeting in Paris, France – February 2019
- ⇒ Group of International Finance Centre Supervisors (GIFCS) Plenary Meeting in London, United Kingdom – April 2019
- ⇒ 32nd Meeting of the Peer Review Group in Paris, France – June 2019

5.2 Online Registration System

SIFA continues to develop and further strengthen its SRS On-line System together with the addition of new features to eliminate some manual processing along with ensuring that the information remains secure. Some new features include the implementation of a void log entry and cancel charge log entry.

In addition to the new features, the SRS infrastructure was overhauled to use the latest and most secure components available.

5.3 Social Club

Over the past 12 months, the highlights of our social club journey include: **Fundraising Activities** – Walkathon, Canteen, and Monthly Casuals. **Office activities** – Easter Colouring Contest, Mothers'/Fathers' Day/White Sunday Celebrations, Public Service Day, End of the Year Christmas Dinner, Guest Speakers, and Donut Days. Moreover, we celebrated the birth of new babies, weddings, farewelled colleagues, visited those who were sick, and celebrated the life of loved ones who we lost along the year. Thus, the Social Club continues to serve its purpose which is to provide a platform that encourages a healthy working environment for all SIFA staff members.

6. Samoa International Finance Authority Financial Performance

Audited Accounts Summary:

Financial position:

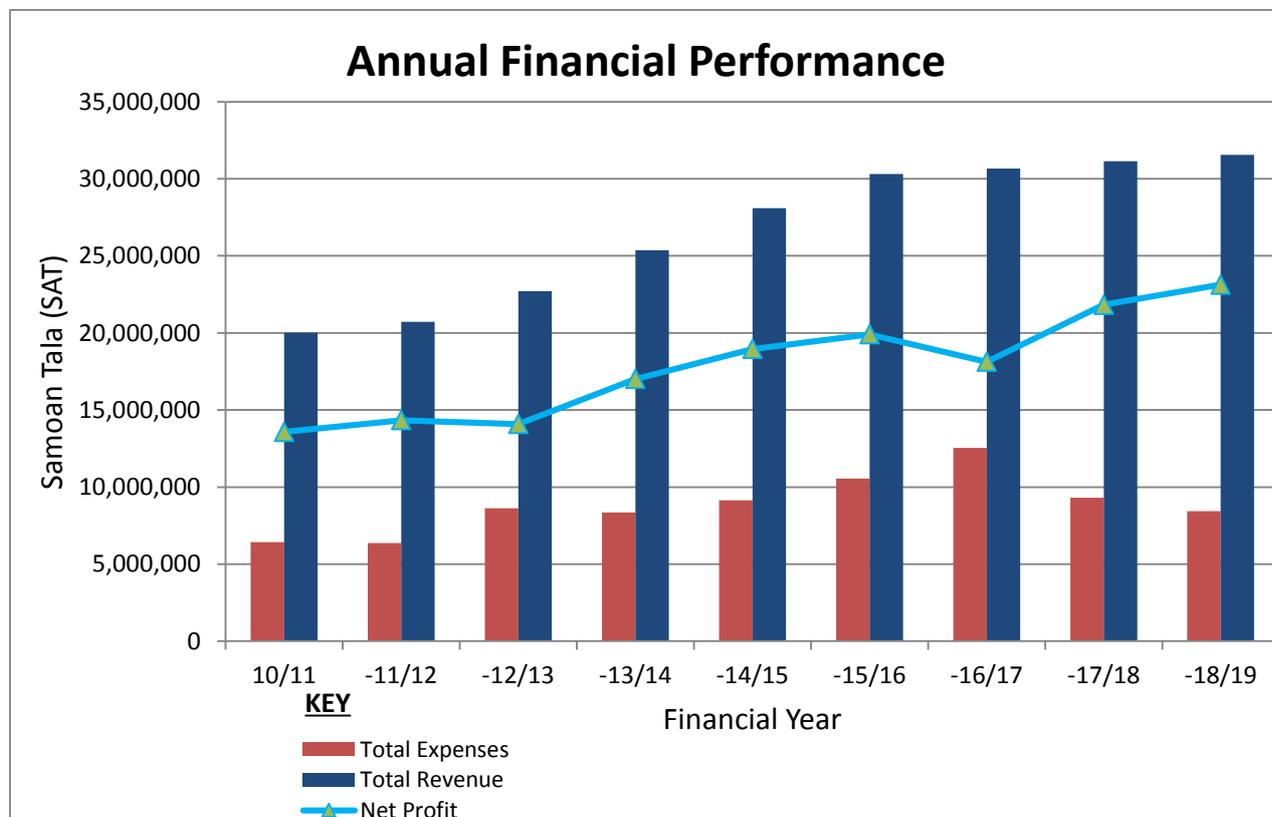
SIFA recorded an increase of approximately 2.5 percent in Total Assets from SAT88.2million in the prior year to SAT90.4million this financial year. These assets are mainly cash and term investments representing 89.1 percent of Total Assets.

Financial Performance:

SIFA recorded an increase of 1.3 percent of total income to SAT31.5 million compared to SAT31.1 million recorded in the prior year. Increase is mainly due to higher dividends received from investments held with UTOS (Unit Trust of Samoa) and interest income from term deposits with commercial banks.

Total Expenses showed a decrease of approximately 19 percent from SAT9.8 million to SAT7.9 million in this financial year. This decrease is mainly due to significant control of promotion and sponsorship activities. The Authority's total comprehensive income for the year ending 30 June 2019 has increased by 7.6 percent from SAT21.8 million to SAT23.5 million.

CHART 1:



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Samoa International Finance Authority
Directors' Report
For the Year Ended 30 June 2019

The Directors of the Samoa International Finance Authority (SIFA) present their report for the year ended 30 June 2019 together with the financial statements as set out on the accompanying pages and the Auditor's report thereon in accordance with the *Samoa International Finance Authority Act 2005* (SIFA Act).

Directors

The following persons were Directors of the Authority during the financial year and up to the date of this report:

Tuatagaloa Alfred Schwalger (Board Chairman)
Lemalu Hermann Paul Retzlaff (Attorney General)
Leasiosiofaasisina Galumalemana M. Oscar Malielegaoi
(CEO, Ministry of Finance)
Muagututia Lafaele Ngau Chun

Loau Donald Kerlake
Maiava Atalina Ainuu-Enari (Governor, CBS)
Magele Philip Penn

The Private Sector Board Members are appointed 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 were drawn up from the records of SIFA and give a true and fair view of the operations and results of SIFA for the year ended 30 June 2019.
- (ii) the accompanying Statement of Financial Position is drawn up to give a true and fair view of the state of affairs of SIFA as at 30 June 2019.

Operating Results

The Net Profit for the year is SAT23,484,930.00 (2018: Net Profit SAT21,823,326.00).

General Fund

The Directors approved SAT21,685,987.00 to be paid from the General Fund to the Government for the year ending 30 June 2019 in accordance with the SIFA Act. Of the SAT21,685,987.00 approved and paid to Government, SAT6,685,987.00 relate to the balance owing from June 2018. The remaining SAT15,000,000.00 is the amount paid for the financial year ending 30 June 2019.

Dividends

The amount paid to the Government Treasury Fund is considered as dividend and is determined by the Minister of Finance acting on the advice of the Directors of SIFA.

**Samoa International Finance Authority
Directors' Report
For the Year Ended 30 June 2019 (continued)**

Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which would require adjustment to or disclosure in the financial statements.

Other circumstances

As at the date of this report:

- no charge on the assets of the Authority has been given since the end of the financial year to secure the liabilities of any person;
- no contingent liabilities have arisen since the end of the financial year for which the Authority could become liable;
- no contingent liabilities or other liabilities of the Authority have become or are likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in the Authority's financial statements, which would make adherence to the existing method of assets or liabilities of the Authority being misleading or inappropriate.

Unusual transactions

The result of the Authority's operations during the financial year and up to the date of this report, has not in the opinion of Directors, been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

This Report is made in accordance with a resolution of the Board of Directors and signed on behalf of the Board:



Tuatagaloa Alfred Schwalger
CHAIRMAN



Maiava Atalina Ainuu-Enari
DIRECTOR

Dated: 24th October 2019

Dated: 24th October 2019

**Samoa International Finance Authority
Management Responsibility Statement
For the Year Ended 30 June 2019**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 maintained 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 Auditors, BDO, having been appointed by the Controller and Auditor General of the Independent State of Samoa, have audited our Financial Statements. The accompanying Independent Auditors' Report of the Samoa Audit Office outlines the scope of their examination and their opinion.



Li'o Heinrich Siemsen
Acting Chief Executive Officer



Desmond Chan Ting
Finance Manager

Dated: 1st November 2019

Dated: 1st November 2019



Please address all correspondences
to the Controller and Auditor General

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 comprise the Statement of Financial Position as at 30 June 2019, the Statements of Financial Performance, Changes in Equity and Cash Flows for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of BDO, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Taimalie Ernest Betham.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibility 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 Charges 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 to 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. This risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Please address all correspondences
to the Controller and Auditor General

- 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 the directors and management's use 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 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 the Directors and Management regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

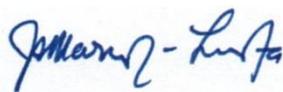
- i. Public Bodies (Performances and Accountability) act 2001, and the
- ii. Public Finance Management Act 2001.

We also confirm that:

- a. we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b. the Authority has kept financial records sufficient to enable the financial statements to be prepared and audited.

Our audit was completed on the 25th October 2019 and our opinion is expressed as at that date.

Apia, Samoa
30 October 2019



Jaslyn T. Mariner – Leota
ASSISTANT CONTROLLER AND AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

To the Controller and Auditor General

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at June 30, 2019;
- the Statement of Financial Performance, statement of changes in equity, and statement of cash flows for the year ended 30 June 2019; 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 Samoa International Financial Authority as at June 30, 2019, and (of) its financial performance and its cash flows for the year ended 30 June 2019 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 Samoa International Finance Authority in accordance with the International Ethic 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.

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 Authority's 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 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 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 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.

Report on Other Legal and Regulatory Requirements

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

- i. Public Bodies (Performance and Accountability) Act 2001, and the
- ii. Public Finance Management Act 2001.

We also confirm that:

- a. we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b. the Authority has kept financial records sufficient to enable the financial statements to be prepared and audited.


BDO
CHARTERED ACCOUNTANTS


Ernest Betham
Engagement Partner

Samoa
24 October 2019

Samoa International Finance Authority
Statement of Financial Performance
For the Year Ended 30 June 2019

	Note	2019 SAT	2018 SAT
Income			
Incorporation and annual fees		25,530,917	26,051,029
Licence fees		251,943	242,057
Other income and gains		2,135,412	1,350,975
Interest Income		3,637,694	3,493,061
Total Income		31,555,966	31,137,122
Expenses			
Audit fees		31,535	34,666
Depreciation Costs	6	266,343	257,979
Amortisation Costs	7	115,402	104,395
Communication		86,515	81,801
Directors fees		76,500	73,296
Doubtful loans expense		24,054	-
Printing and stationery		88,569	144,535
Promotions	13	2,792,000	4,249,053
Occupational Costs		408,026	412,072
Personnel costs		2,625,907	2,459,825
Others		1,458,314	2,031,824
Total Expenses		7,973,164	9,849,446
Other Gains/Losses			
Unrealised gain/(loss)	9	-	120,000
Exchange Gain / (Loss)		662,253	415,650
Impairment on building design costs		(940,125)	-
Total Other Gains/(Losses)		(277,872)	535,650
Net profit for the year		23,304,930	21,823,326
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net change in fair value of equity investment	9	180,000	-
Total comprehensive income for the year		23,484,930	21,823,326

The accompanying notes form part of these Financial Statements.

Samoa International Finance Authority
Statement of Financial Position
As at 30 June 2019

	Note	30 June 2019 SAT	30 June 2018 SAT
Non-current assets			
Plant and equipment	6	6,227,641	6,543,110
Land held for sale		-	57,219
Intangible Assets	7	331,758	411,560
Receivables and prepayments	8	1,158,560	1,474,903
Investments	9	27,730,000	15,550,000
Total non-current assets		35,447,959	24,036,792
Current assets			
Cash and cash equivalents	10	52,912,229	62,387,609
Receivables and prepayments	8	2,074,565	1,786,544
Total current assets		54,986,794	64,174,153
Total assets		90,434,753	88,210,945
Current Liabilities			
Deposits and payables	11	1,944,230	1,509,886
Provision	12	62,428	71,907
Total liabilities		2,006,658	1,581,793
Net assets		88,428,095	86,629,152
Equity			
General Fund		88,428,095	86,269,152
Total equity		88,428,095	86,269,152

The accompanying notes form part of these Financial Statements

Signed for and on behalf of the Directors of the Samoa International Finance Authority on 24th October 2019.



Tuatagaloa Alfred Schwalger
Chairman

Apia
Samoa

24th October 2019



Maiava Atalina Ainuu-Enari
Director

Apia
Samoa

24th October 2019

**Samoa International Finance Authority
Statement of Changes in Equity
For the Year Ended 30 June 2019**

	Note	2019 SAT	2018 SAT
Balance in General Fund at beginning of year		86,629,152	73,119,838
Add:			
Net profit for the year		23,304,930	21,823,326
Other comprehensive income for the year	9	180,000	
Less Payments to the Government of Samoa		(21,685,987)	(8,314,012)
Balance in General Fund at end of year		<u>88,428,095</u>	<u>86,629,152</u>

The accompanying notes form an integral part of these Financial Statements

Samoa International Finance Authority
Statement of Cash Flows
For the Year Ended 30 June 2019

	Note	2019 SAT	2018 SAT
Cash flows from operating activities			
Fees and licence revenues		26,575,214	27,363,236
Cash paid to employees		(2,726,087)	(2,666,070)
Cash paid for rent and maintenance		(279,618)	(295,932)
Cash paid for promotional expenses		(2,605,116)	(4,026,990)
Cash paid for other expenses		(1,995,791)	(2,792,764)
Net advanced deposits		390,508	(247,399)
Net cash from / (used in) operating activities		19,359,109	17,334,082
Cash flows from investing activities			
Interest received		4,622,527	3,610,755
Gain on sale of fixed asset		17,165	-
Acquisition of fixed assets		(161,282)	(462,338)
Investment in UTOS		(12,000,000)	-
Net cash used in investing activities		(7,521,591)	3,148,418
Cash flows from financing activities			
Payment to the Government of Samoa		(21,685,987)	(8,314,012)
Net cash generated from Financing activities		(21,685,987)	(8,314,012)
Net increase / (decrease) in cash and cash equivalents		(9,848,469)	12,168,488
Cash and cash equivalents at the beginning of the year		62,098,446	49,514,308
Plus: Effect of Exchange Differences		662,253	415,650
Cash and cash equivalents at end of year	10	52,912,229	62,098,446

The accompanying notes form part of these Financial Statements

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2019

1. General

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. SIFA administers and supervises the registration of companies, licensing of banks, insurance companies, mutual funds and trustee companies under various international financial services legislation.

2. Adoption of new and revised Standards

New standards adopted as at 1st January 2018

IFRS 15 'Revenue from Contracts with Customers'

In 2018 the Authority has adopted new guidance for the recognition of revenue from contracts with customers. This guidance was applied using a modified retrospective ('cumulative catch-up') approach under which changes having a material effect on the statement of financial position as at 1 January 2018 are presented together as a single adjustment to the opening balance of retained earnings. Accordingly, the Authority is not required to present a third statement of financial position as at that date.

There has been no change on the date of initial application, 1 January 2018, in the classification and measurement of the Authority's revenues.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the Authority has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

- the classification and measurement of the Authority's financial assets. Management holds financial assets to hold and collect the associated cash flows. The UTOS promissory notes previously classified as held-to maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9.
- the Authority's investments in convertible notes that were measured at fair value through profit and loss (FVTPL) continue to be measured at FVTPL.
- the Authority's investments in equity instruments (i.e.: UTOS units that were not held for trading) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI.
- the impairment of financial assets applying the expected credit loss model. This affects SIFA's trade receivables and investments in debt-type assets measured at amortised cost. The expected credit loss model requires the Authority to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. In particular, IFRS 9 requires the Authority to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Authority is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2019

On the date of initial application, 1 January 2018, the financial instruments of the Authority were reclassified as follows:

	<u>Measurement category</u>		<u>Carrying amount</u>		<u>Opening balance 1 July 2018 IFRS 9</u>
	<u>Original IAS 39 category</u>	<u>New IFRS 9 category</u>	<u>Closing balance 30 June 2018 IAS 39</u>	<u>Adoption of IFRS 9</u>	
			SAT	SAT	SAT
Non-current financial assets					
UTOS units	Available for sale	FVTOCI	2,960,000		2,960,000
UTOS promissory notes	Held to Maturity	Amortised cost	10,470,000		10,470,000
UTOS convertible notes	FVTPL	FVTPL	2,000,000		2,000,000
Staff loan receivables	Loans and receivables	Amortised cost	1,610,098		1,610,098
Current financial assets					
Cash at bank and term deposits	Loans and receivables	Amortised cost	62,098,446		62,098,446
Total financial asset balances			79,138,544		79,138,544

Standards, amendments and interpretations not yet effective and not early adopted by the Authority

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Authority.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Authority's financial statements.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Authority has decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, the Authority believes that the most significant impact will be that the Authority will need to recognise a right of use asset and a lease liability for the office space currently treated as operating leases. The Authority has remaining lease commitments of

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2019

SAT283,932.00. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.

3. Statement of significant accounting policies

The principle accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the financial year, unless otherwise stated.

a. Basis of preparation

The Financial Statements of the Samoa International Finance Authority have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Financial Statements have been prepared on historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical Cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

b. Foreign currency translation

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Authority operates ("Functional Currency") which is the Samoan Tala (SAT). The Authority operates in Samoa and therefore the Financial Statements are presented in Samoan Tala which is the Authority's functional and presentation currency.

Foreign Currency Transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transactions at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

Foreign Exchange Gains and Losses that related to borrowings and cash equivalents are presented in profit or loss together with all other foreign exchange gains and losses and are presented in profit or loss at a net amount.

c. Comparative figures

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

3. Statement of significant accounting policies (continued)

d. Revenue

Company Incorporation and Renewal Services

The Authority earns most of its revenue from international companies under the *International Companies Act 1988*. Revenue from companies incorporated and renewed is recognised in the accounting period in which the services are rendered.

Advanced Deposits from Trustee Companies are deferred to current liabilities and recognised as revenue when it is used to pay for company transactions.

Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

Interest

Interest income from financial assets at fair value through profit or loss (FVTPL) is included in the net fair value gains / (losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income (FVOCI) calculated using the effective interest method is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

e. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and measurement of financial assets

Classification and initial measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial Assets of the Authority, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2019

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

3. Statement of significant accounting policies (continued)

Subsequent measurement of financial assets

Financial Assets at amortised cost

Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'interest income' using the effective interest rate method. This category includes cash balances and staff loan receivables.

Financial Assets at fair value through profit and loss (FVTPL)

Financial Assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. This category includes the UTOS convertible notes. Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

Equity investments at fair value through other comprehensive income (FVOCI)

The Authority accounts for equity investments at FVOCI if they are not held for trading. This category includes investments in UTOS units and the Authority has made the irrevocable election to recognise the equity investment at FVOCI. All fair value changes (i.e.: gains or losses) are recognised in other comprehensive income (OCI) and are not recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Trade and other receivables and contract assets

The Authority makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Authority uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Authority assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2019

Classification and measurement of financial liabilities

As the accounting for Financial Liabilities remains largely the same under IFRS 9 compared to IAS 39, the Authority's Financial Liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Authority's Financial Liabilities include borrowings, trade and other payables and are classified into the amortised cost category.

3. Statement of significant accounting policies (continued)

Financial Liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Authority designated a financial liability at fair value through profit or loss.

Subsequently, Financial Liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

f. 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.

g. 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.

h. Taxation

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

i. Cash and cash equivalents

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

j. 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

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2019

k. 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.

4. Financial risk management

The Authority's activities expose it to financial risks such as market risks related to cash flow interest risk, credit risk and liquidity risk. Risk management is carried out by management and the board of directors. They evaluate and monitor financial risks in all areas of the business.

i. Credit risk management

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.

The Authority exposure to credit risk is limited to staff loans. Staff loans are no longer allowed under Government Cabinet directive for all state owned enterprises. The current staff loan balances will continue to be reduced from direct repayments from salaries of existing staff.

On leaving employment with the Authority those who have loans are required to pay the full amount of the outstanding balance at the time of leaving or make necessary repayment arrangements. The inability to repay the amount in full at the time of termination results in a loss that is fully provided for.

Because all loan repayments are deducted from employee wages the ageing analysis for staff loans is always current. The Authority has used the simplified model for calculating lifetime expected credit losses and has applied the probability of default (PD) to those balances that are current as follows:

	PD	Gross carrying amount SAT	Loss allowance SAT	Credit impaired SAT
30 June 2019				
Staff loans gross amounts	1.9%	1,264,771	24,054	24,054
Staff loans assessed individually				
		1,264,771	24,054	24,054

Balances which are not current are assessed individually for impairment. The movement in the loss allowance for staff loan receivables is disclosed in Note 8.

ii. Currency risk

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.

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

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2019

	2019	2018
	SAT	SAT
Financial asset:		
Cash and cash equivalents	1,600,613	1,054,360
Financial liabilities:		
Customer deposits	(862,908)	(841,781)
Net Exposure	737,705	212,579

4. Financial risk management (continued)

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)
	SAT	SAT
SAT/USD + 5%	36,885	10,629
SAT/USD - 5%	(36,885)	(10,629)

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

06/2019 - 0.3886
06/2018 - 0.3935

iii. Liquidity risk

Liquidity Risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation. The Authority carries out cash flow projections taking into account cash inflows and outflows annually which assist it in monitoring cash flow requirements and optimizing its cash returns on investments. Typically, the Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. Cash position is monitored on a daily basis.

iv. Interest rate risk

Fair value 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

The Authority has interest-bearing asset in the form of term deposits. This is at fixed interest rate and hence, there are no interest rate risks during the period of investment.

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For re-investment of term deposits, the Authority negotiates an appropriate interest rate with the commercial Banks and invests with the Banks that offers the highest interest return. Given the fixed nature of interest rates, the Authority has a high level of certainty over the impact on cash flows arising from interest income derived from these term deposits.

Other risks

Operational risk

Operational Risk is the risk of loss arising from systems failure, human error and fraud. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The Authority cannot eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the Authority is able to manage risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment procedures.

5. Critical accounting estimates and judgements

SIFA provides 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. Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

b. Useful lives of depreciable assets

On acquiring an asset, Management determines the most reasonable length of time it expects SIFA to maintain that asset with reference to characteristics of similar assets or classes of assets held by SIFA 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.

c. Impairment of non-financial assets

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.

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6. Plant and Equipment

	Land & Buildings	Equipment & Furniture	Motor Vehicles	Leasehold Improvements	Work in Progress	Total
	SAT	SAT	SAT	SAT	SAT	SAT
Cost						
Balance as at 30/06/18	5,856,000	1,872,942	361,500	156,363	198,025	8,444,830
Additions		125,682	-		768,900	894,582
Disposals		(86,823)			(940,125)	(1,026,948)
Balance as at 30/06/19	5,856,000	1,911,801	361,500	156,363	26,800	8,312,464
Accumulated Depreciation						
Balance as at 30/06/18	69,333	1,378,572	297,454	156,361		1,901,720
Depreciation	52,000	161,943	52,400			266,343
Disposals		(83,240)	-	-		(83,240)
Balance as at 30/06/19	121,333	1,457,275	349,854	156,361		2,084,823
Written down value:						
As at 30/06/18	5,786,667	494,370	64,046	2	198,025	6,543,110
As at 30/06/19	5,734,667	454,526	11,646	2	26,800	6,227,641

7. Intangible asset

	SIFA Registration System	Front Accounting System	Total
	SAT	SAT	SAT
Cost			
Balance as at 30/06/18	799,310	185,628	984,938
Additions	15,600	20,000	35,600
Disposals	-	-	-
Balance as at 30/06/19	814,910	205,628	1,020,538
Accumulated Depreciation			
Balance as at 30/06/18	536,651	36,727	573,378
Amortisation	77,276	38,126	115,402
Disposals	-	-	-
Balance as at 30/06/19	613,927	74,853	688,780
Written down value:			
As at 30/06/18	262,659	148,901	411,560
As at 30/06/19	200,983	130,775	331,758

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8. Receivables and Prepayments

	2019	2018
	SAT	SAT
Movement in Provision for Doubtful Loans		
Gross amount of staff loans	1,264,771	1,610,098
Less provision for doubtful loans	(24,054)	-
	<u>1,240,717</u>	<u>1,610,098</u>
Represented and classified in the balance sheet:		
Non-Current		
Employee loans - secured	1,158,560	1,474,902
	<u>1,158,560</u>	<u>1,474,902</u>
Current		
Employee loans - secured	106,210	135,196
Less provision for doubtful loan	(24,054)	-
	<u>82,156</u>	<u>135,196</u>
Interest receivables	584,338	1,331,820
Dividend receivable	1,242,945	200,000
Prepaid expenses	165,126	119,528
Total Receivables and Prepayments	<u>2,074,565</u>	<u>1,786,544</u>

Employee loans are interest bearing secured over loan assets of the employee and generally for terms of 5 to 20 years.

These loans are expected to mature as follows:

	2019	2018
	SAT	SAT
Not later than 12 months	11,433	8,271
Later than 1 year but not later than 5 years	28,072	56,744
Later than 5 years	1,225,266	1,545,084
Total	<u>1,264,771</u>	<u>1,610,099</u>

9. Investments

	2019	2018
	SAT	SAT
Units in UTOS at fair value at beginning	3,080,000	2,960,000
Additional value of Units (10.4m) Purchased during the year	17,000,000	-
Movement in fair value at balance date 30 June 19	180,000	120,000
Investment in UTOS at fair value at end	<u>20,260,000</u>	<u>3,080,000</u>
UTOS investment – convertible notes	-	2,000,000
UTOS investment – promissory notes	7,470,000	10,470,000
	<u>27,730,000</u>	<u>15,550,000</u>

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Additional units of 10.4 million were purchased during the year which cost SAT17 million (SAT1.63 per unit). Fair value of these units were calculated based on the unit price publicised by UTOS at SAT1.63 per unit as at 30 June 2019. The Convertible Notes (SAT2 million) and Promissory Notes (SAT3 million) were converted to units upon maturity which made up part of the SAT17 million for additional units purchased during the year. Balance of SAT12 million was funded from term deposits that were matured during the year.

10. Cash and Cash Equivalents

	2019	2018
	SAT	SAT
Cash and Bank Balances	3,467,818	6,019,318
Fixed Deposits	49,444,411	56,079,128
Cash and cash equivalent as per Cash Flow Statement	<u>52,912,229</u>	<u>62,098,446</u>
Trust account		<u>289,163</u>
	<u>52,912,229</u>	<u>62,387,609</u>

The Trust Account is not for SIFA's purposes. Section 199 of the *International Companies Act 1988* vests the outstanding assets of a defunct company in the Registrar. The unclaimed balance of SAT 289,163.00 tala was paid to the Ministry of Finance under the Public Finance Management Act 2001.

Included in the balances of cash and bank balances are debit balances on SIFA credit cards as follows:

	2019	2018
	SAT	SAT
Total debit balances on credit cards	<u>31,073</u>	<u>22,909</u>
	<u>31,073</u>	<u>22,909</u>

Both cards have credit limits of NZD10,000.00 and are securely kept in the Safe Box under the custody of the Finance and Corporate Services Division. The cards are used when the CEO and the Chairman are on official travel and also used to secure accommodation bookings for all Board and Staff members when they travel.

Fixed Deposits are held with the local commercial banks at terms ranging from 6 to 12 months at interest rates of between 4% to 6% pa. Spread of the total term deposit as at 30 June 19 which are held by the 4 local commercial banks is shown below:

	%	2019
		SAT
ANZ	15%	7,239,088
BSP	24%	11,689,773
NBS	37%	18,119,357
SCB	25%	<u>12,396,192</u>
Total		<u>49,444,411</u>

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11. Deposits and Payables

	2019	2018
	SAT	SAT
Client deposits	862,908	841,781
Accrued expenses	1,081,323	378,942
Trust Fund	-	289,163
Total	1,944,230	1,509,886

Client Deposits are funds deposited by 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 if unclaimed, will be transferred to the Ministry of Finance to be dealt with under the *Public Finance Management Act 2001*.

12. Provision for Leave

	2019	2018
	SAT	SAT
Opening Balance	71,907	69,510
Accrued during the year	39,949	40,068
Utilised during the year	(49,428)	(37,671)
	<u>62,428</u>	<u>71,907</u>

13. Promotions

	2019	2018
	SAT	SAT
Promotions	<u>2,792,000</u>	<u>4,249,053</u>

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

14. Distribution to Government

	2019	2018
	SAT	SAT
Commitment to Government of Samoa	<u>21,685,987</u>	<u>8,314,012</u>

Total Contribution of SAT 21.6m was committed to the Government for the Current Financial Year 2018/2019 under section 18 of the *Samoa International Finance Authority Act 2005*. The total is made up of SAT 6.6m for balance owing for the financial year ending June 2018 and SAT 15m for the current financial year ending June 2019.

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15. Contingent Liabilities

SIFA remains a defendant in a 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 (2017/2018: nil).

16. Operating Lease Commitments

SIFA is leasing office space from the Development Bank of Samoa at a monthly rental of SAT18,128.03 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 of the SNPF Premises at Vaitele as an offsite office from January 2015 at a total monthly rental of SAT5,271.60 for a period of five (5) years, with an option of renewal after that date.

	2019	2018
	SAT	SAT
Operating lease payable is as follows:		
Not later than 1 year	283,932	279,158
	283,932	279,158
	283,932	279,158

17. Key Management personnel disclosures

	2019	2018
	SAT	SAT
Compensation of key management personnel:		
Remuneration	1,040,668	996,319
Directors fees and allowances	76,500	73,296
Total	1,117,168	1,069,615

The remuneration of Key Management personnel is determined by Cabinet and the Board. Key Management personnel includes the CEO, Chief Managers (3), Section Head Business Development, Section Head IT and Support Services, Section Head Human Resources, Section Head Finance, Section Head Compliance, Section Head Archives, Apostilles & Charges, Section Head Quality Assurance and Section Head Registration and SRS System.

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18. Reconciliation for Operating Cash Flow

	2019	2018
	SAT	SAT
Net Profit	23,484,983	21,823,326
Adjustment for:		
Depreciation of property, plant and equipment	266,343	257,979
Impairment of property, plant and equipment	940,125	-
Amortisation of intangible fixed assets	115,402	104,395
Change in value of investment property	(180,000)	(120,000)
Finance Income	(578,972)	(512,394)
Finance Expenses	(83,281)	96,745
Interest Income	(3,742,352)	(3,139,218)
UTOS Dividends	(1,242,945)	(200,000)
Loss/(gain) on sale of property, plant and equipment	(17,165)	-
Increase in trade and other receivables	(27,844)	(179,648)
Increase in trade and other payables	434,345	(799,500)
Increase in provisions and employee benefits	(9,477)	2,397
	<u>19,359,109</u>	<u>17,334,082</u>

19. Approval of Financial Statements

The Financial Statements were approved by the Board on the date that they were signed by the Board of Directors.