



ANNUAL
REPORT

15th Edition

2020

Please address all correspondence to:
The Minister of Finance
Private Bag
Apia, Samoa



Email: sili.tuioti@cbs.gov.ws;
sili.tuioti@mof.gov.ws;
Telephone: (685) 34-333/34385
Facsimile: (685) 21-312/20293

Government of Samoa
OFFICE OF THE MINISTER OF FINANCE

16 November 2020

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 2020, 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

13 November 2020

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 2019 to 30th June 2020.

The report comprises:

- (a) a report on the Authority's operations during the twelve (12) months ending on 30 June 2020; and
- (b) the Authority's audited accounts for the twelve (12) months ending June 2020 together with the auditor's report.

Yours faithfully

Tuifaasisina Sieni Tualega-Voorwinden
CHIEF EXECUTIVE OFFICER

TABLE OF CONTENTS

04	Chairman's Statement
05	Chief Executive Officer's Statement
07	Management and Functions of SIFA
09	Structure of SIFA
13	Governing Legislation of SIFA
14	Activities of SIFA
18	Developments
19	SIFA Financial Performance
20	Financial Statements

CHAIRMAN'S STATEMENT

As Chairman of the Board of Directors of the Samoa International Finance Authority (SIFA), it gives me great pleasure to present the Annual Report for SIFA for the financial year 2019/20.

The 2019/20 financial year was a challenging year for SIFA operations not only on the domestic front but also internationally. This was due to the COVID-19 global pandemic which resulted in world-wide border closures and state of emergency lockdown, as well as the measles outbreak which hit our shores in December 2019.

Despite these major operational challenges, the Annual report shows how we have advanced the execution of our strategies for the final year of the Strategic Plan 2018-20, and with that we are proud of the success and growth in various aspects of SIFA.

I am also pleased to share that Samoa obtained a 'Largely Compliant' rating under the OECD rating system. This bears testament to our continual commitment to ensure regulatory framework and practices are reflective of international standards' requirements and best practices.

Nonetheless, SIFA together with various Government ministries have been working closely to address issues raised by the European Union (EU), listing Samoa as a non-cooperative jurisdiction under its list of countries with 'non-cooperative tax regimes' according to EU rules.

Thus with the ever-changing world of international finance and wealth management standards, SIFA continues to pursue a policy of excellence in the regulation and supervision of the entities within its jurisdiction, by working closely with its private sector clients and continued training of its management and senior staff at overseas forums and peer review groups.

On the local front, SIFA continues to provide its generous support through sponsorship and financial assistance to local sporting bodies (rugby, netball, etc.) and several community projects aimed at assisting youth and vulnerable groups.

The net result of its operations for the year in review is a profit of SAT\$23.3 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, and look forward to another successful year's work.



Taimalie Ernest Betham

CHAIRMAN SIFA BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER'S STATEMENT



I am delighted to be introducing the Samoa International Finance Authority (SIFA) annual report for the 2019/20 financial year; my first as CEO.

The 2019/20 financial year was a year of unprecedented events and challenges at both local and global levels, signalling clear changes and shifts, already experienced by SIFA in how we operate and conduct our business and with more anticipated changes to come in the not too distant future. The changes bring both challenges and exciting opportunities that SIFA must seize and adapt to, for continued sustainability and growth of Samoa as an International financial services centre.

The 2019/20 financial year also saw the successful conclusion of the SIFA Strategic Plan 2018-2020 continuing our Vision: 'Moving with the times' and Mission: 'To secure a niche for Samoa in the Global Market as a reputable international financial services centre'. Adopting an adaptive approach to meet the new challenges and at the same time taking advantage of the exciting opportunities before us, a Corporate and Strategic Plan for 2021-24 has been crafted and finalised to guide SIFA's work and developments for the aforementioned period.

A major highlight and achievement for SIFA in the past twelve (12) months includes Samoa achieving a 'Largely Compliant' rating by OECD on transparency in the Exchange of Information for Tax Purposes in September 2019.

However, the past twelve (12) months have been challenging, with the biggest challenge coming in the form of a disease; the Corona Virus or COVID-19 declared a pandemic by WHO leading to closure of international borders severely restricting international travel and bringing to an abrupt stand-still the usual hustle and bustle synonymous with SIFA's international promotional and marketing activities to serve its exclusively international clientele. In particular, resulting in many international conferences and workshops postponed indefinitely.

Prior to the pandemic, SIFA attended its first Hubbis Event, as a Silver Sponsor partner in January 2020 in Dubai. SIFA was able to promote its Wealth Management solutions which gained interest from the Middle East market prompting SIFA to recognise the UAE as one of its emerging markets for further exploration in our search for more business opportunities, however the strict travel restrictions now in place globally meant SIFA was not able to progress this opportunity, signalling a clear impact as a result of Covid-19. To ensure we remain responsive to the needs of our clients and to stay relevant in a very competitive market, SIFA has taken progressive steps to identifying virtual solutions to continue its promotional and marketing campaigns, until such a time when international events can be planned and attended.

SIFA continued its major sponsorship of the Manu Samoa 7s National team for the HSBC Sevens Tournament, as well as the sponsorship of other national sports teams such as the Samoa Rugby League team. SIFA also continued to extend its support and assistance to our local community through sponsorship of various community events and teams.

The strict state of emergency rules introduced in March 2020 by our Government and still in effect today, called for SIFA to adopt a new and different way of working to ensure we continued to carry out our Regulatory functions. So in the absence of face to face onsite inspections the Compliance team stepped up its desk based reviews through requests for regular reporting through electronic means from our licensed TCSPs for verification and confirmation that they continue to observe strict compliance requirements on business coming through their intermediaries and other agents.

An ongoing priority for SIFA Management and Staff has been the European Union listing of Samoa in 2017 in a list which identified Samoa as a non-cooperative jurisdiction under its list of countries with 'non-cooperative tax regimes' according to EU rules. SIFA is part of a Task Force established specifically to address the EU list, working alongside other Government Ministries and agencies (MCR, MFAT, CBS, MoF, MCIL, & AGs). Concrete steps and actions have been made to progress this important issue with Samoa committing to the removal of the harmfulness and ring-fencing elements of its offshore regime instead moving towards a direction of substantial business activities on shore. At the same time, developing solutions that will lead to sustainability of current business and growing the potential of Samoa to secure more business and a different clientele.

Senior Management and staff had previously travelled to 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) 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. However, since the 2020 global pandemic and lockdown, SIFA Management and staff have attended these meetings on a virtual basis.

Amid the many changes on the regulatory front and market fluctuations due to inter alia, geopolitical power shifts, SIFA performed well; shown in its net profit of SAT\$23.3 million for this financial year.

This gives us hope; and with the support from my colleagues and guidance from our Board of Directors, I am confident that despite the myriad of challenges before us, there are also many opportunities for SIFA to capitalize, expand and diversify our services to continue and enhance our status as a competitive jurisdiction.

Not onto us but to God we give all glory, honour and praise, for all the blessings and success SIFA has experienced over these past twelve (12) months, and pray that His favour will continue to be upon SIFA.

God bless!



Tuifaasisina Sieni Tualega-Voorwinden
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.

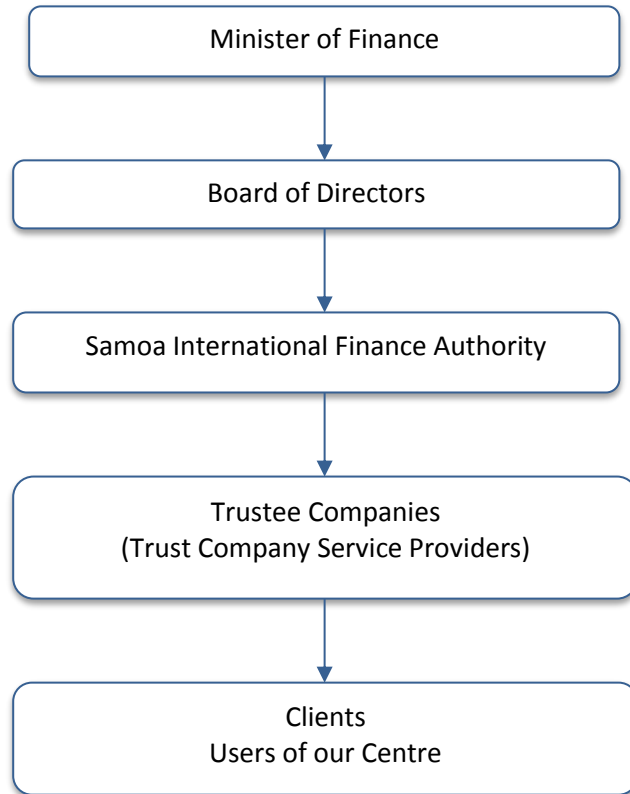
SIFA is administered by a Board of Directors consisting of 4 Directors from the Private Sector and 1 Government Official (the Chief Executive Officer of the Ministry of Finance). The Board is appointed by the Head of State on the advice of Cabinet in accordance with law and approved Government policy. They 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



(L-R): Tu'u'u Amaramo Sialoa, Galumalemana Patrick Rasmussen, Taimalie Ernest Betham – Chairman, Tufuga Fagaloa Tufuga

Absent: Leasiosiofaasisina Oscar Malielegaoi – CEO Ministry of Finance.

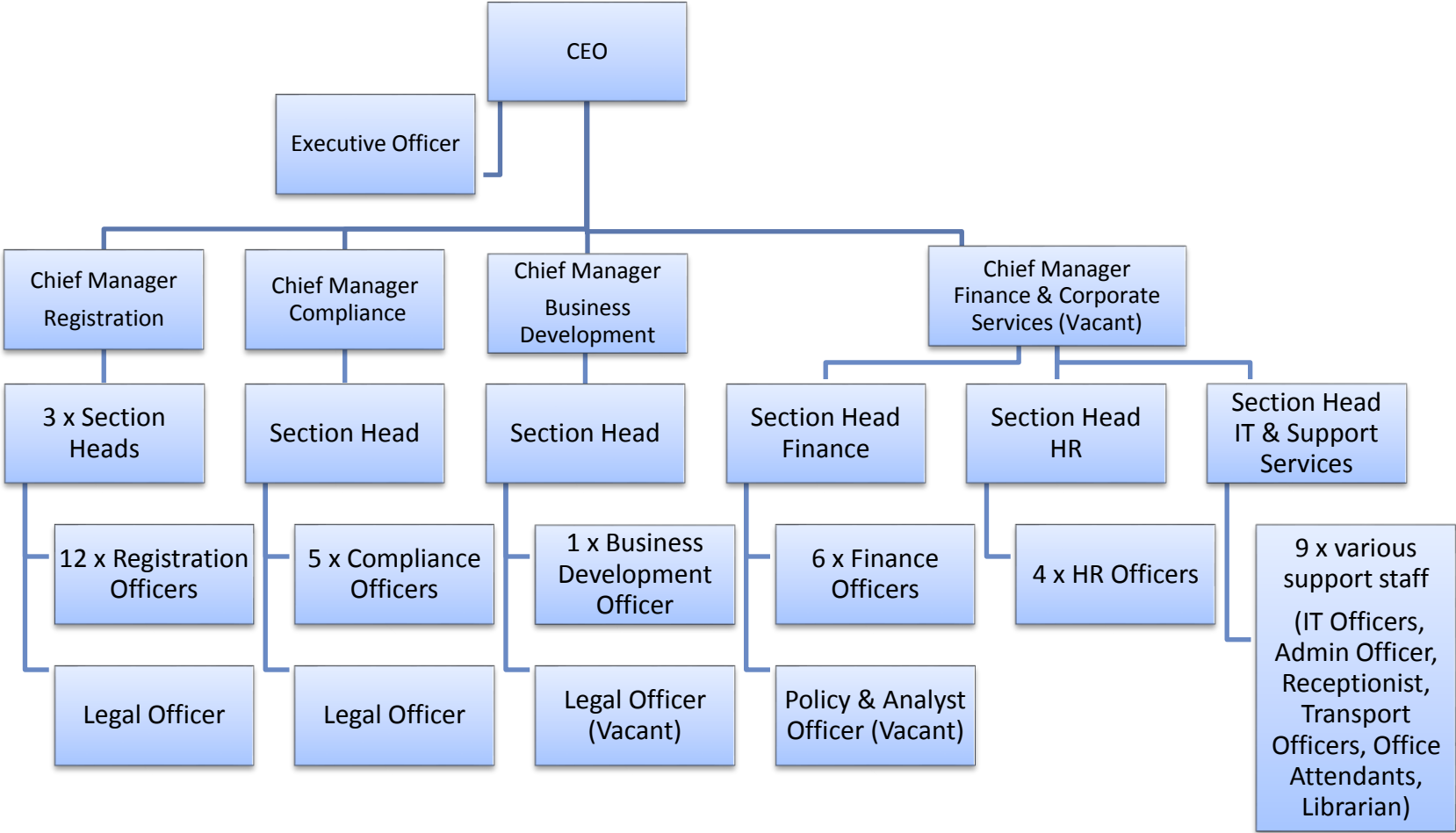
2.2 Management



Standing (L-R): Li’o Heinrich Siemsen – Chief Manager Registration, Desmond Chan Ting – Section Head Finance, Cheshire Malua – Chief Manager Compliance, Tagaloa Koroseta Lesatele – Section Head Human Resources, Aliimalemanu Kolisi Simamao – Section Head Compliance

Sitting (L-R): Luaipou Iosefa – Section Head Registration & SRS, Watsonia Fereti – Section Head Business Development, Ramona Rimoni-Jahnke – Section Head Registration (Apostilles, Archives & Charges), Tuifaasisina Sieni Tualega-Voorwinden - Chief Executive Officer, Moana Ah Poe – Section Head IT & Support Services, Tuala Mesepa Tapuitema Lafaialii-Petaia – Chief Manager Business Development, Taofinuu Kalala Mataia – Section Head Quality Assurance

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, segregated fund international companies, international mutual fund companies, special purpose international companies and limited and international limited partnership companies. In addition, the Registration team is also responsible for maintaining up to date records of all entities registered and licensed by SIFA thus ensuring the accuracy of all Registers kept.

The Registration Division is divided into three (3) Teams: the Registration and SRS Team, the Archives, Apostille and Charges Team, and the Quality Assurance Team.

An application for incorporation and/or registration of an entity is made to the Registrar of International and Foreign Companies through a licensed trustee company. The fee for incorporation is USD300 whereas the fees for re-domiciliation is USD100.00. An incorporated entity is required to lodge an application together with the company's Memorandum and Articles of Association and a Notice of situation of registered office. The registration process is relatively simple and has a 24 hours turnaround time. Registration of other types of companies are guided under the relevant legislations and have separate registration fees available on the SIFA and Invest Samoa websites.

Apart from the incorporation and registration of new entities, the Registration team also deals with other services incidental to the operation of registered entities such as the issuance of a Certificate of Good Standing, Name change, Winding Up, Renewal, share capital maintenance, etcetera.

January and February are the peak months for new incorporations, whereas November and December is the busiest time of the year being the renewal period for all international companies on the Register.

The total number of new incorporations registered with SIFA for this financial year is 1,282. The number of live international companies as at 30 June 2020 is 32,131. SIFA since inception has registered a total of 86,240 gross number of companies.

The prevalent pressures from various international standards has greatly impacted our business thus the decrease in the number of new registrations for the financial year. There are currently 11 licensed trustee companies or trust company service providers that link Samoa to the global investors.

The demanding pace and high standards expected by our clientele challenges the Registration Team to constantly strive for excellence in delivering a professional service that is world class.

4.2 Compliance Division

The Compliance Division supervises entities licensed under various international financial services legislation such as trustee companies, international banks, international insurance companies and international mutual fund companies. This is one of SIFA's main functions to monitor and supervise the conduct of international financial services provided within Samoa.

The Compliance Team of seven (7) staff members ensures that all the licensed entities comply with the relevant laws that take into account international standards. Our compliance officers continue to build their supervisory and regulatory prowess by attending seminars and trainings organised by international standard setters which recently have been done through virtual platforms because of Covid19.

The principal legislation governing the establishment and supervision of international entities are 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* and the *Trustee Companies Act 2017*.

The Compliance Team carried out one (1) round of onsite visits during the financial year covering eleven (11) Trustee Companies, checking the availability and accessibility of their accounting records and beneficial ownership information. These onsite visits contributed to the rating of Samoa by OECD on transparency and Exchange of Information for Tax Purposes, of 'Largely Compliant' in September 2019. Further onsite visits that were scheduled for the first quarter of 2020 have been postponed to the last quarter of the year due to ongoing global lockdowns because of the COVID-19 pandemic.

An important task that the Compliance team is prioritising for 2020 is the removal of Samoa from the European Union's list of non-cooperative tax jurisdictions, as this would affect SIFA's clientele and would involve legislative amendments.

As at the end of June 2020, the number of international entities licensed and registered with SIFA are as follows:

<i>Licensed Entities</i>	<i>No</i>
<i>Trustee Companies</i>	11
<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>	17
<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 2019-2020 commenced on the 9th July 2020 and was completed and signed on the 30th October 2020.

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

4.3.2 Human Resources

The Human Resource Section's main task is to administer and coordinate the overall operations of the section to ensure SIFA staffing needs are fully supported. It is also our responsibility to manage all human resources and assets and maintain a skilled and knowledgeable workforce to effectively and efficiently carry out SIFA's functions.

SIFA currently employs 12 Management Staff and 35 Support Staff Members. One staff member – Receptionist resigned from the office in July 2019 to move with her family to Hawaii.

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) carried out its core functions as alluded to in the *SIFA Act 2005* successfully within this financial year and alongside the challenges posed by Coronavirus.

On the promotional front, marketing work continued under the promotional brand of “INVEST SAMOA”. Participation of major international Conferences took place with the China Offshore Summit Conference in Shanghai and the STEP Asia Conference in Singapore in the month of November 2019.

Invest Samoa attended the Hubbis International Conference for the first time in Dubai in January 2020 bringing together members of the trust industry to the Middle East. The one day event featured various presentations on issues critical to international finance centers as well as display booths and networking opportunities for attendees and exhibitors.

Subsequently, all promotional trips and international conferences have been stalled since March 2020 when the world was hit by the global pandemic of Coronavirus. More so, the reality of the pandemic became evident in the closure of international borders thus the domino effect has seen a change in the course of promotional activities presenting the challenge to expand our market reach amidst the ban on international travel.

To this end, BDD continues to develop its digital platform to roll out promotional and marketing fixtures to prospective clients as well as continue dialogue with existing stakeholders. Research and development work continues in-house to address the strategic way forward for the Authority and maintenance and growth of the industry.

On the sponsorship front, the global pandemic saw many of the local events which are usually supported by our Sponsorship Portfolio cancelled or postponed. The uncertainty as to when the global pandemic will end has seen main international and local sporting and community events postponed in the likes of the HSBC 7s Tournament, Rugby League tournament and netball events.

Nonetheless, during these unprecedented times SIFA marketing and promotional functions may see an overhaul to reflect changes dictated by not just the global environment but the impact of the Coronavirus.

5. Developments

5.1 Professional Trainings, Workshops, Seminars and Conferences

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

Seminars

- ⇒ Asia Pacific Group on Money Laundering Annual Meeting in Canberra, Australia - August 2019
- ⇒ 33rd Meeting of the Peer Review Group in Paris, France – October 2019
- ⇒ Group of International Finance Centre Supervisors Plenary Meeting in Cayman Islands – November 2019
- ⇒ International Association of Insurance Supervisors Committee Meeting and Annual Conference, Abu Dhabi – November 2019
- ⇒ 12th Plenary Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes in Paris, France – November 2019
- ⇒ Peer Review Group Meeting in Seoul, Korea – December 2019

Trainings

- ⇒ The Oxford Advanced Management – Exploration and Critique of Modern Day Leadership & Management, Malaysia – November 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. In addition to the new features, the SRS infrastructure was overhauled to use the latest and most secure components available.

5.3 Social Club

The Authority is appreciative of the efforts, commitment and hard-work delivered by its employees in ensuring the functions and key objectives of the Authority are performed to the highest standard. To this end, the Social Club and its Executive Committee conducted various activities to provide an outlet for employees to relax and enjoy each other's company, assist in raising the overall morale within the Authority as well as acknowledge and recognize the work by each employee. Some of the activities conducted included the celebration of Mother's Day, Father's Day, White Sunday, Weddings, New babies etc. as well as provide support to member's who had lost loved ones.

The Social Club Executive Committee is responsible for organizing activities to generate funds for social events. Some of these events include walkathons which not only raise funds but also promotes healthy lifestyles.

6. Samoa International Finance Authority Financial Performance

Audited Accounts Summary:

Financial position:

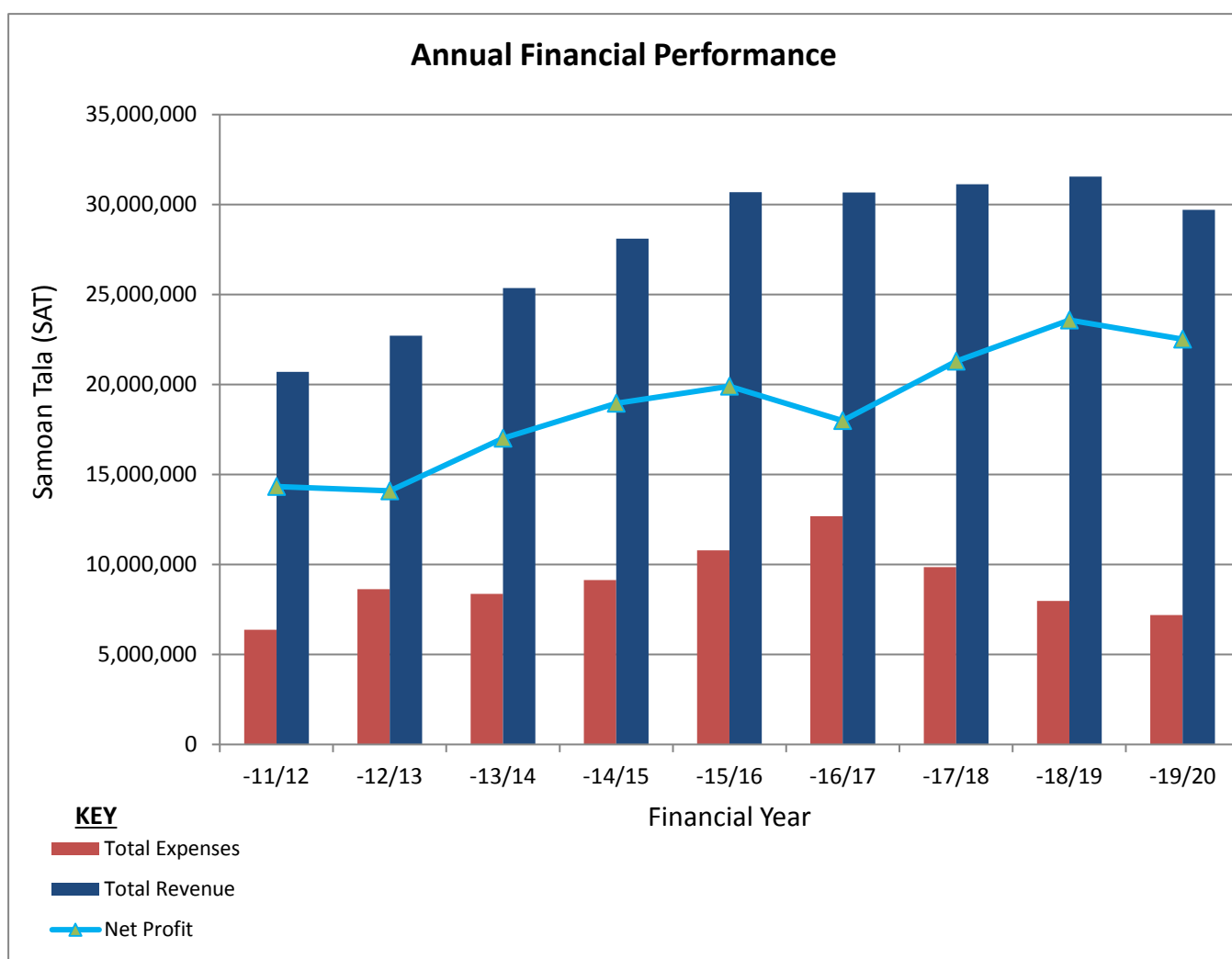
SIFA recorded an increase of approximately 9.07 percent in Total Assets from SAT90.4million in the prior year to SAT98.6million this financial year. These assets are mainly cash and term investments representing 91.3 percent of Total Assets.

Financial Performance:

SIFA recorded a decrease of 5.8 percent of total income to SAT29.7 million compared to SAT31.5 million recorded in the prior year. This decrease is mainly due to the reduction of its core revenue from renewals, new incorporations and lower interest rates for term deposits offered by the commercial banks.

Total Expenses showed a decrease of approximately 9.8 percent from SAT7.9 million to SAT7.1 million in this financial year. This decrease is mainly due to less spending for promotion and sponsorship activities. The Authority's total comprehensive income for the year ending 30 June 2020 has decrease by .51 percent from SAT23.4 million to SAT23.3 million.

CHART 1:



FINANCIAL STATEMENTS

Directors' Report	21
Management Responsibility Statement	23
Independent Auditor's Report	24
Statement of Financial Position	26
Statement of Financial Performance	27
Statement of Changes in Equity	28
Statement of Cash Flows	29
Notes to Financial Statements	30

Samoa International Finance Authority
Directors' Report
For the Year Ended 30 June 2020

The Directors of the Samoa International Finance Authority (SIFA) present their Report for the year ended 30 June 2020 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:

Departing Board Members during the financial year (All except for the CEO of MOF)

Tuatagaloa Alfred Schwalger (Board Chairman)	Leafa Donald Kerslake
Lemalu Hermann Paul Retzlaff	Maiava Atalina Ainuu-Enari
Leasiosiofaasisina Oscar Malielegaoi	Magele Philip Penn
Muagututia Lafaele Ngau Chun	

Incoming Board Members who began their service in March 2020

Taimalie Ernest Betham (Board Chairman)	
Tu'u'u Amaramo Sialaoa	Galumalemana Patrick Rasmussen
Tufuga Fagaloa Tufuga	

The Board Members were 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 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 2020.
- (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 2020.

Operating Results

The net profit for the year is SAT23,362,925 (2019: net profit SAT23,484,930).

**Samoa International Finance Authority
Directors' Report (continued)
For the Year Ended 30 June 2020**

General Fund

The Directors approved \$15,000,000 to be paid from the General Fund to the Government for the year ended 30 June.

Dividends

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

Events subsequent of 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.

Dated at Apia, this 30th day of October 2020.

Signed in accordance with a resolution of the Directors.



Taimalie Ernest Betham
CHAIRMAN



Galumalemana Patrick Rasmussen
DIRECTOR

**Samoa International Finance Authority
Management Responsibility Statement
For the Year Ended 30 June 2020**

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.

The Samoa Audit Office has audited our Financial Statements. The accompanying independent Auditor's report outlines the scope of their examination and their opinion.



Tuifaasisina Sieni Voorwinden
CHIEF EXECUTIVE OFFICER

Dated: 30th October 2020



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 2020, 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.

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 2020, 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 30th October 2020 and our opinion is expressed as at that date.

Apia, Samoa
02 November 2020

Jaslyn T. Mariner – Leota
ASSISTANT CONTROLLER AND AUDITOR GENERAL

Samoa International Finance Authority
Statement of Financial Position
For the Year Ended 30 June 2020

	Note	2020 SAT	2019 SAT
ASSETS			
Non-current assets			
Plant and equipment	6	5,407,308	6,227,641
Intangible Assets	7	260,107	331,758
Receivables and prepayments	8	1,051,612	1,158,560
Investments	9	29,632,544	27,730,000
Right of use of Asset (ROU)	16	388,723	-
Total non-current assets		36,740,294	35,447,959
Current assets			
Cash and cash equivalents	10	60,454,078	52,912,229
Receivables and prepayments	8	1,437,559	2,074,565
		61,891,637	54,986,794
TOTAL ASSETS		98,631,931	90,434,753
Non-current liability			
Lease Liability	16	181,923	-
Current liabilities			
Deposits and payables	11	1,375,539	1,944,230
Provisions	12	76,650	62,428
Lease Liability	16	242,432	-
Total liabilities		1,876,545	2,006,658
Net assets		96,755,386	88,428,095
Equity			
General Fund		96,755,386	88,428,095
Total equity		96,755,386	88,428,095

The accompanying notes form part of these Financial Statements

Signed for and on behalf of the Directors of the Samoa International Finance Authority on 30 October 2020.



Taimalie Ernest Betham
Chairman



Galumalemana Patrick Rasmussen
Director

Apia, Samoa
Dated: 30th October 2020

Apia, Samoa
Dated: 30th October 2020

Samoa International Finance Authority
Statement of Financial Performance
For the Year Ended 30 June 2020

		2020	2019
	Note	SAT	SAT
Income			
Incorporation and annual fees		24,386,393	25,530,917
Licence fees		181,967	251,943
Other income and gains	3(d)	1,734,382	2,135,412
Interest Income	3(d)	3,404,318	3,637,694
		29,707,060	31,555,966
Expenses			
Audit fees		31,536	31,535
Depreciation Costs	6	207,948	266,343
Amortisation Costs	7	125,952	115,402
Interest (Lease Liability)	16	58,179	-
Depreciation (ROU Asset)	16	222,074	-
Communication		77,637	86,515
Directors Fees		69,387	76,500
Doubtful loans expense		23,610	24,054
Printing and stationery		63,201	88,569
Promotions	13	2,165,696	2,792,000
Occupational Costs		126,784	408,026
Personnel costs		2,703,523	2,625,907
Others		1,310,003	1,458,314
		7,185,530	7,973,164
Total Expenses			
		7,185,530	7,973,164
Other Gains/Losses			
Exchange Gain / (Loss)		454,568	662,253
Impairment on building design costs		(272,773)	(940,125)
Total Other Gains/(Losses)		181,795	(277,872)
		181,795	(277,872)
Net profit for the year		22,703,325	23,304,930
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss:			
Net change in fair value of equity investment	9	659,600	180,000
Total Net Comprehensive Income		23,362,925	23,484,930

The accompanying notes form part of these Financial Statements.

**Samoa International Finance Authority
Statement of Changes in Equity
For the Year Ended 30 June 2020**

	Note	2020	2019
		SAT	SAT
Balance in General Fund at beginning of year		88,428,094	86,629,151
Add:			
Net profit for the year		22,703,325	23,304,930
Other comprehensive income for the year		659,600	180,000
Less Payments to the Government of Samoa		(15,000,000)	(21,685,987)
Less Lease restatement as per IFRS 16		(35,632)	-
Balance in General Fund at end of year		<u>96,755,386</u>	<u>88,428,094</u>

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

Samoa International Finance Authority
Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	2020 SAT	2019 SAT
Cash flows from operating activities			
Fees and license revenues		25,190,747	26,575,214
Cash paid to employees		(2,817,383)	(2,726,087)
Cash paid for rent and maintenance		(276,365)	(279,618)
Cash paid for promotional expenses		(2,094,649)	(2,605,116)
Cash paid for other expenses		(1,800,256)	(1,971,738)
Net advanced deposits		209,987	366,455
Net cash generated from Operating activities		18,412,082	19,359,109
Cash flows from investing activities			
Interest received		3,340,143	4,622,527
Gain on Sale of Fixed Asset		4,548	17,165
Acquisition of fixed assets		(197,171)	(161,282)
Investment in UTOS		-	(12,000,000)
Dividend from UTOS		527,680	-
Net cash generated from Investing activities		3,675,199	(7,521,591)
Cash flows from financing activities			
Payment to the Government of Samoa		(15,000,000)	(21,685,987)
Net cash generated from Financing activities		(15,000,000)	(21,685,987)
Net Increase/Decrease in Cash		7,087,281	(9,848,469)
Cash and cash equivalent as at beginning of year		52,912,229	62,098,446
Plus: Effect of Exchange Differences		454,568	662,253
Cash and Cash Equivalents at end of year	10	60,454,078	52,912,229

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

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

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. SIFA 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. 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 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 2020

On the date of initial application, 1 January 2019, the financial instruments of the Authority were reclassified as follows:

	<u>Measurement category</u>		<u>Carrying Amount</u>	
	<u>Original IAS 39 category</u>	<u>New IFRS 9 category</u>	<u>Closing balance 30 June 2019 IAS 39</u>	<u>Adoption of IFRS 9</u>
			<u>Opening balance 1 July 2019 IFRS 9</u>	
Non-current financial assets			SAT	SAT
UTOS units	Available for sale	FVTOCI	20,260,000	20,260,000
UTOS promissory notes	Held to Maturity	Amortised cost	7,470,000	7,470,000
UTOS convertible notes	FVTPL	FVTPL	-	-
Staff loan receivables	Loans and receivables	Amortised cost	1,240,717	1,240,717
Current financial assets				
Cash at bank and term deposits	Loans and receivables	Amortised cost	52,912,229	52,912,229
Total financial asset balances			81,882,946	81,882,946

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. The Authority has implemented the Modified Retrospective Approach under IFRS 16 to account for the leases in the Financial Statements for the year ended 30 June 2020.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

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 relate 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.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

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.

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. Interest income relates to interests from Term deposits held at the commercial banks and interest from investment Notes held at UTOS.

Other income and gains	<u>2020</u>	<u>2019</u>
	<u>SAT</u>	<u>SAT</u>
Penalty Fees	275,404	398,420
Application Fees	346,783	393,933
Dividend Received - UTOS	1,055,359	1,242,945
Staff Loan Interest Income	52,288	82,949
Gain on Sale of Fixed Assets	4,548	17,165
Total	<u>1,734,382</u>	<u>2,135,412</u>

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

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

3. Statement of significant accounting policies (continued)

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.

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.

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.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

3. Statement of significant accounting policies (continued)

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.

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.

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.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

3. Statement of significant accounting policies (continued)

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

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.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

4. Financial risk management (continued)

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 2020				
Staff loans gross amounts	2.10%	1,143,429	23,610.00	23,610.00
Staff loans assessed individually		1,143,429	23,610	23,610

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:

	2020 SAT	2019 SAT
Financial assets:		
Cash and cash equivalents	347,074	1,600,613
Financial liabilities		
Customer deposits	(951,553)	(862,908)
Net Exposure	(604,479)	737,705

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

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

4. Financial risk management (continued)

	Higher/(Lower)	Higher/(Lower)
	SAT	SAT
SAT/USD + 5%	(30,224)	36,885
SAT/USD - 5%	30,224	(36,885)

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

06/2020 - 0.3818

06/2019 - 0.3886

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.

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.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

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.

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

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 30/06/19	5,856,000	1,911,802	361,500	156,363	26,800	8,312,465
Additions	-	142,871	-	-	111,410	254,281
Disposals	(1,040,000)	(101,722)	-	-	-	(1,141,722)
Balance as at 30/06/20	4,816,000	1,952,951	361,500	156,363	138,210	7,425,024
Accumulated Depreciation						
Balance as at 30/06/19	121,333	1,457,276	349,850	156,364	-	2,084,824
Depreciation	52,000	144,298	11,650	-	-	207,948
Disposals	(173,333)	(101,722)	-	-	-	(275,055)
Balance as at 30/06/20	-	1,499,852	361,500	156,364	-	2,017,717
Written down value:						
As at 30/06/19	5,734,667	454,526	11,646	(1)	26,800	6,227,641
As at 30/06/20	4,816,000	453,099	(0)	(1)	138,210	5,407,308

7. Intangible asset

	SIFA Registration System	Front Accounting System	Total
	SAT	SAT	SAT
Cost			
Balance as at 30/06/19	814,910	205,628	1,020,538
Additions	34,500	19,800	54,300
Disposals	-	-	-
Balance as at 30/06/20	849,410	225,428	1,074,838
Accumulated Depreciation			
Balance as at 30/06/19	613,927	74,853	688,780
Amortisation	84,166	41,786	125,952
Disposals	-	-	-
Balance as at 30/06/20	698,093	116,639	814,732
Written down value:			
As at 30/06/19	200,983	130,775	331,758
As at 30/06/20	151,317	108,789	260,106

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

8. Receivables and Prepayments

	2020	2019
	SAT	SAT
Movement in Provision for Doubtful Loans		
Gross amount of staff loans	1,143,429	1,264,771
Less provision for doubtful loans	(47,664)	(24,054)
	1,095,765	1,240,717
Represented and classified in the balance sheet:		
Non-Current		
Employee loans - secured	1,051,612	1,158,560
	1,051,612	1,158,560
Current		
Employee loans - secured	91,816	106,210
Less provision for doubtful loan	(47,664)	(24,054)
	44,152	82,156
Interest receivables	740,752	584,338
Dividend receivable	527,680	1,242,945
Prepaid expenses	124,976	165,126
Total Receivables and Prepayments	1,437,559	2,074,565

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:

	2020	2019
	SAT	SAT
Not later than 12 months	4,352	11,433
Later than 1 year but not later than 5 years	25,733	28,072
Later than 5 years	1,113,343	1,225,266
Total	1,143,429	1,264,771

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

9. Investments

	2020	2019
	SAT	SAT
Units in UTOS at fair value at beginning	20,260,000	3,080,000
Additional value of Units (763k) Purchased during the year	1,242,945	17,000,000.00
Movement in fair value at balance date 30 June 20	659,600	180,000
Investment in UTOS at fair value at end	<u>22,162,544</u>	<u>20,260,000</u>
UTOS investment – convertible notes	-	-
UTOS investment – promissory notes	<u>7,470,000</u>	<u>7,470,000</u>
	<u>29,632,544</u>	<u>27,730,000</u>

Additional units of 763k were purchased during the year which cost SAT1.2 million (SAT1.63 per unit). Fair value of these units were calculated based on the unit price publicised by UTOS at SAT1.68 per unit as at 30 June 2020.

10. Cash and Cash Equivalents

	2020	2019
	SAT	SAT
Cash and Bank Balances	2,094,601	3,467,818
Fixed Deposits	<u>58,359,477</u>	<u>49,444,411</u>
Cash and cash equivalent as per Cash Flow Statement	<u>60,454,078</u>	<u>52,912,229</u>

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

	2020	2019
	SAT	SAT
Total debit balances on credit cards	<u>38,300</u>	<u>31,073</u>
	<u>38,300</u>	<u>31,073</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 5.2% pa. Spread of the total term deposit as at 30 June 20 which are held by the 4 local commercial banks is shown below:

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

	%	2020
		SAT
ANZ	9%	5,168,353
BSP	23%	13,322,287
NBS	39%	22,953,502
SCB	29%	16,915,335
Total		58,359,477

11. Deposits and Payables

	2020	2019
	SAT	SAT
Client deposits	951,553	862,908
Accrued expenses	423,986	1,081,323
Total	1,375,539	1,944,231

Client Deposits are funds deposited by trustee companies in advance to pay for incorporation and or renewal fees of their clients when due.

12. Provision for Leave

	2020	2019
	SAT	SAT
Opening Balance	62,428	71,907
Accrued during the year	40,681	39,949
Utilised during the year	(26,460)	(49,428)
	76,649	62,428

13. Promotions

	2020	2019
	SAT	SAT
Promotions	2,165,696	2,792,000

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

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

14. Distribution to Government

	2020	2019
	SAT	SAT
Commitment to Government of Samoa	15,000,000	21,685,987

Total Contribution of SAT 15m was committed to the Government for the Current Financial Year 2019/2020 under section 18 of the *Samoa International Finance Authority Act 2005*.

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 (2019/2020: nil).

16. Lease Commitments

SIFA has adopted the Modified Retrospective Approach to disclose its leases to align with the new requirements under IFRS 16. The right of use assets (ROU) and the lease liability are now recognised on the statement of financial position. The interest on lease and depreciation on ROU are now recognized on the statement of financial performance based on the terms of the lease agreements.

	2020	2019
	SAT	SAT
Lease commitments		
Lease due during the year	-	279,158
Interest (Lease Liability)	58,179	-
Depreciation (ROU Asset)	222,074	-
	280,253	279,158
Lease Assets (ROU)	388,723	-
Lease Liability		
Not later than 1 year (current)	181,923	-
Later than 1 year (non Current)	242,432	-
	424,356	279,158

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

17. Key Management personnel disclosures

	2020	2019
	SAT	SAT
Compensation of key management personnel:		
Remuneration	999,278	1,040,668
Directors fees and allowances	69,387	76,500
	1,068,665	1,117,168

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.

18. Reconciliation for Operating Cash Flow

	2020	2019
	SAT	SAT
Net Profit	23,362,925	23,484,983
Adjustment for:		
Depreciation of property, plant and equipment	207,948	266,343
Impairment of property, plant and equipment	272,773	940,125
Amortisation of intangible fixed assets	125,952	115,402
Change in value of investment property	(659,600)	(180,000)
Finance Income	(475,146)	(578,972)
Finance Expenses	20,577	(83,281)
Interest Income	(3,456,406)	(3,742,352)
UTOS Dividends	(1,055,359)	(1,242,945)
Loss/(gain) on sale of property, plant and equipment	(4,548)	(17,165)
Increase in trade and other receivables	627,436	(27,844)
Increase/(Decrease) in trade and other payables	(568,691)	434,345
(Increase)/Decrease in provisions and employee benefits	14,220	(9,477)
	18,412,082	19,359,162

Samoa International Finance Authority
Notes forming part of the Financial Statements
For the Year Ended 30 June 2020

19. Subsequent Events after Reporting Period

Financials

SIFA has forecasted a negative impact on its core revenues (Renewal/New Incorporation) as a result of COVID-19 in the new financial year starting 1st July 2020. However, the actuals for the first quarter shows positive results and we hope it will continue throughout the financial year ending 30th June 2021.

Operations

SIFA has signed a contract with MX Media who will be providing promotional services on behalf of SIFA in Mainland China. The Board and the Management have been equipped with laptops and have the ZOOM software installed to ensure that we can communicate from our homes if COVID-19 hits Samoa.

20. Approval of Financial Statements

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