



**Samoa International
Finance Authority**

2006 Annual
Report



SAMOA INTERNATIONAL FINANCE AUTHORITY

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006



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GOVERNMENT OF SAMOA

OFFICE OF THE MINISTER OF FINANCE

Ministry of Finance, Central Bank of Samoa, Development of Samoa, Samoa National Provident Fund, Samoa Life Assurance, Samoa Housing Corporation, Tenders Board, Samoa International Finance Authority, Cabinet Development Committee

04 April 2008

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 ended 30th June 2006, together with the audited accounts for that period and the report of the Auditor on those accounts.

(Niko Lee Hang)
MINISTER OF FINANCE



Samoa International Finance Authority

Please address correspondence to
THE CHIEF EXECUTIVE OFFICER

04 April 2008

Honourable Niko Lee Hang
Minister of Finance
Ministry of Finance
APIA

Dear Honourable Minister

I have the honour of submitting the Annual Report of the Samoa International Finance Authority as required by the Samoa International Finance Authority Act 2005 for the financial year 1 July 2005 to 30 June 2006.

The report comprises:

- (a) a report on the Authority's operations during the twelve (12) months to end 30 June 2006; and
- (b) the Authority's audited accounts for the twelve (12) months ended June 2006 together with the auditor's report.

Yours faithfully

Erna Va'ai
CHIEF EXECUTIVE OFFICER

STATEMENT FROM THE CHAIRMAN



Talofa and welcome to the first edition of the Samoa International Finance Authority (SIFA) Annual Report. As Chairman of the SIFA Board, I am pleased to introduce this initial publication which represents a milestone for the newly established Authority, whose operations in its first twelve months are reported here in detail.

The setting up of the new Authority in May 2005 is in recognition of our Centre's maturity and the need for our international finance facilities to be better governed, and coordinated by a single umbrella body. The enabling law (namely the Samoa International Finance Authority Act 2005) provides for a Board of seven (7) Directors consisting of four Government officials including myself, the Attorney General, and the Chief Executive Officers of the Ministry of Finance and SIFA, and three directors from the private sector. Such arrangement is in keeping with global trends and standards in this dynamic area of business. The fast pace of developments in the offshore business world, requiring coordinated responses, is reflected in SIFA's new logo on the cover of the report.

As Governor of the Central Bank, I have been closely and actively involved in the development of our Offshore Finance Centre since inception in the late 1980s when it started operating as a quasi Government unit within the Bank. Since its humble origins, substantial efforts were made by the government both at a policy and technical level, to ensure that our laws were appropriate and the infrastructure was in place before we could vigilantly promote our services overseas. Additionally, in light of the competitiveness of the market for such services, we had to make sure that we continue to keep abreast of modern user trends and international standards of best practice, if we were to succeed.

The increased scrutiny of global cross border financial facilities, since the turn of the 21st century, has meant greater and enhanced efforts in complying with international standards in anti money laundering and terrorist financing. Additional extraneous pressures from multinational organisations like the FATF and the OECD's Harmful Tax Competition Initiative, has necessitated a more "hands on" approach from the Authority. To this end, the Board and I have played an active role by participating in the OECD's Sub Group and Global Forum on the Level Playing Field in endeavours to ensure that the international business of small island countries like Samoa is not necessarily prejudiced by new rules being formulated to govern global financial operations.

In offering corporate financial services exclusively to offshore investors, it is granted that we have a responsibility to ensure that the business we accept is legitimate. As a result, you will note that one of

SIFA's main statutory functions is to protect and maintain the integrity of Samoa as an offshore finance jurisdiction. To this end, further changes to our Money Laundering Preventions Act, Mutual Assistance in Criminal Matters Legislation and new Proceeds of Crime Law are expected to become enacted in early 2007.

Despite SIFA's recent beginnings as a Statutory Corporation, its goodwill and efforts to benefit our local community is demonstrated by its sponsorship of the Manu Samoa's 15 A-side National Team, Northern Hemisphere Tour in November 2005. The use of our very own national icons as a vehicle to promote our business has been a success, judging from the Authority's audited accounts on page 26.

Over the years, our Finance Centre (now SIFA) has made substantial contributions to the Samoan economy. Not only through increased employment opportunities and additional business for our law and accounting firms, but also direct financial inputs towards the Government budget every year.

It is evident from such accomplishments that we are on the right track in charting the course of development for SIFA. I am confident that given SIFA's vigilance in promoting its services overseas and commitment to international standards of best practice, the Authority is expected to continue to prosper.

Last but not least, I wish to record the Board's and my appreciation to the Chief Executive Officer and her team for the hard and excellent work over the past years. The success of the Centre to date is a reflection of the dedication and commitment of the Chief Executive Officer and her staff. Well done.

Soifua ma ia manuia



**Leasi Papalii Tommy Scanlan
CHAIRMAN**

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER



OVERVIEW

Setting up the Samoa International Finance Authority (SIFA) particularly its administrative arm proved to be an exciting challenge and milestone event in May 2005 after being under the umbrella of the Central Bank since 1988. After our first twelve (12) months of operations, it became clear from SIFA's overall performance that our Management and support staff were able to rise to such challenge.

ACTIVITIES

The Authority's first year of operations witnessed continued and steady growth in the volumes of international business registration. For the financial year ended 30 June 2006, 5,006 new companies were incorporated, an increase of 19% compared with 4,204 in the previous fiscal year (2004-2005).

The increased workload although demanding did not deflect the Authority away from the regulatory aspects of its functions as relayed below:-

- i. Regulatory activities of SIFA were significant with the introduction of the new International Banking Act 2005. The new law repeals and replaces the Offshore Banking Act 1987 which has been consistently reviewed to reflect contemporary international supervisory standards for banks. The main change with banks are the requirements to establish physical presence, employ at least one full time individual, have two directors who are natural persons and keep operations and banking related records in Samoa. The higher standards being imposed has resulted in the contraction of the international banking sector from eight (8) to six (6) banks.
- ii. Additionally, a major change on the regulatory front that was necessary to meet international standards for licensed entities like banks, insurance and trustee companies is the requirement to conduct onsite inspections in all areas we supervise. Several rounds of onsite inspections were undertaken by management staff in order to ascertain compliance of licensed entities not only with their respective governing laws but with the Money Laundering Prevention Act 2000.
- iii. The Authority was subject to a joint mutual evaluation by the Asia Pacific Group (APG) on Money Laundering and the Offshore Group of Banking Supervisors (OGBS) in February 2006. This was the second evaluation conducted by these multinational organisations the first one having occurred in 2001. Like all jurisdictions offering cross border financial services, Samoa has been on the radar screen of multinational organisations since 2000. Consequently, international issues e.g. anti money laundering, terrorist financing and regulatory arbitrage raised by these

organisations e.g. the Financial Action Task Force (FATF) on Money Laundering, OECD and the International Monetary Fund (IMF) are of great interest to the Authority, and resulted in our extensive involvement in all their proceedings particularly over the past 6 years as highlighted by our Chairman.

- iv. *The International Monetary Fund (IMF) in response to our request for Technical Assistance provided funding for an expert to look at enhancing the capacity of the Authority and to build and implement defences against money laundering and to counter terrorist financing.*

To this end, the Authority is greatly appreciative of the IMF in allowing the expert Mr Richard Pratt (former Head of the Jersey Financial Commission) to provide training for the staff of SIFA, trustee companies, and commercial banks on Anti Money Laundering. The one and half day workshop held in May 2006 proved to be highly beneficial to all the attendees, which also included the Authority's directors from the private sector.

The IMF expert also reviewed the draft Trustee Companies Bill which seeks to bring the regulation of licensed trustee companies in line with prevailing international standards.

Other work sponsored by the IMF during their mission include the drafting of a Regulatory Code for the trustee companies.

- v. *In pursuance of the IMF's function in ensuring global financial stability, it established in 2005 a pilot project to collect information from international financial centres called the Information Dissemination and Monitoring Framework. The Authority is a current participant in the IMF project which requires sharing with the IMF information from international banks on a 6 monthly basis.*
- vi. *The Authority's statutory obligation to provide ongoing training to its staff is taken seriously particularly given our aims to set standards. Particulars of training for staff are covered in the report from the Staff Activities section on Page 21.*
- vii. *The Authority is proud of the rapport and the relationship it has been able to establish over the years with those it regulates.*

There is constant communication with the trustee companies especially as the Authority views the working relationships with the private sector, as the engine for the Centres' continued growth. The Authority's aim is to be proactive and constructive in its responses to requests from the trustee companies.

I am confident that the continued commitment and endeavour of the staff will make such aim achievable.



Erna Va'ai
CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS



Standing (Left-Right): Ms Erna Va'ai, Ms Fatima Strickland, Mrs Brenda Heather-Latu, Ms Hinauri Petana
Sitting (Left-Right): Rev. Misiafa Tyrell, Mr Leasi Papalii Tommy Scanlan (Chairman), Mr Tuatagaloa Alfred Schwalger

MANAGEMENT



Left-Right: Mr Cheshire Malua (Asst. Manager-Accounts), Ms Erna Va'ai (CEO), Ms Sieni Voorwinden (Asst. Manager-Legal)

1.0 FUNCTIONS OF THE SAMOA INTERNATIONAL FINANCE AUTHORITY

Pursuant to Section 4 of the Samoa International Finance Authority Act 2005, the Authority is mandated and empowered to perform core functions which are elaborated more fully in the latter part of this section of our Annual Report.

The functions alluded to below broadly represents the varying functions performed on a daily basis by the Authority. Moreover it reflects the diverse nature of operations of the Authority. On the one hand the Authority performs a regulatory and supervisory function where the ultimate objective is to protect and uphold the reputation and integrity of our Centre whilst on the other hand promote the financial facilities and explore ways to enhance the attraction of Samoa as an international finance centre.

The diverse nature of the Authority's functions balances out the reputational risks with the commercial interest of the stakeholders in our finance centre.



SIFA Staff

Functions of SIFA:

- i. To monitor and supervise the conduct of international financial services provided within Samoa.
- ii. To protect and maintain the good reputation of Samoa as a centre for international financial services.
- iii. To promote Samoa as a centre for international financial services.
- iv. To make recommendations for the creation and improvement of any facilities likely to enhance the attraction of Samoa as a centre for international financial services.
- v. To be responsible for the general administration of international financial services legislation and for the collection of all fees, charges and other receives thereunder.
- vi. To make recommendations for the introduction, amendment, or replacement of legislation pertaining to international financial services, companies and other forms of business structures.
- vii. To develop national objectives, policies, and priorities for the orderly administration of international financial services in Samoa.

- viii. To carry out research and commission studies on the international financial services in Samoa.

- ix. To ensure coordination and cooperation between the public sector agencies, private corporations and non-governmental organisations concerned in any way with international financial services.



2.0 STRUCTURE OF SAMOA INTERNATIONAL FINANCE AUTHORITY

The Authority or SIFA is a relatively new creation having been in existence since May 2005 after the enactment of the Samoa International Finance Authority Act 2005.

Previously, Samoa's International Finance Centre was regulated by the Office of the Registrar of International and Foreign Companies with a different structure operating as a quasi government unit within the Central Bank of Samoa. This structure outside of the public service was to facilitate greater efficiency and effectiveness of the Centre's operations unimpeded by bureaucratic red tape.

The present-day structure of the Authority (figure 1) reflects a major transformation; the Steering Committee is replaced by a Board of Directors which is presided over by the Governor of the Central Bank.

The new Board of seven (7) directors retains four (4) Government officials, the Governor of the Central Bank of Samoa who is also Chairman, Chief Executive Officer – Ministry of Finance, Attorney General, Chief Executive Officer – Samoa International Finance Authority and three (3) private sector directors.

In accordance with the Trustees Companies Act 1987, licensed trustee companies are the local agents through which clients enter our jurisdiction. Trustee companies must necessarily be "fit and proper" in terms of their integrity, competence and solvency. Trustee companies perform a crucial role in our operations, being in the frontline of our Centre.

Rather than clients engaging our services directly, for registration of offshore entities, our government contrived a policy at inception, to license trustee companies (also called Corporate Services Providers) to deal directly with users of our Centre. Such policy was deliberate to ensure that only established professionals, with international connections and of good standing, are licensed, as agents, can provide corporate services to clients. Licensed trustee companies are obliged to "know their clients" and have pre-acceptance criteria in place for such purpose.

Overall, the creation of SIFA was an acknowledgement that to address new challenges, we needed to adopt a new structure, new approach and new solutions. Only in this way can SIFA become more responsive to the rapid changes in the global financial environment.

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

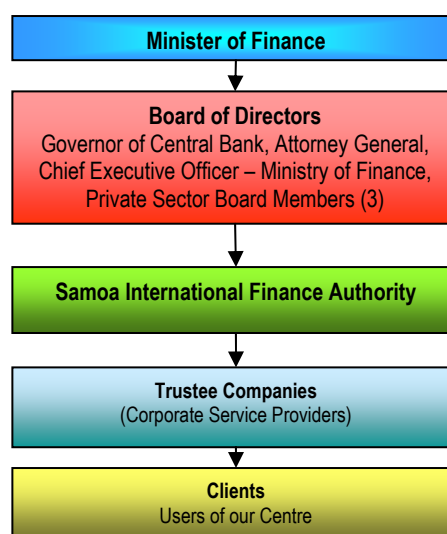


Figure 1

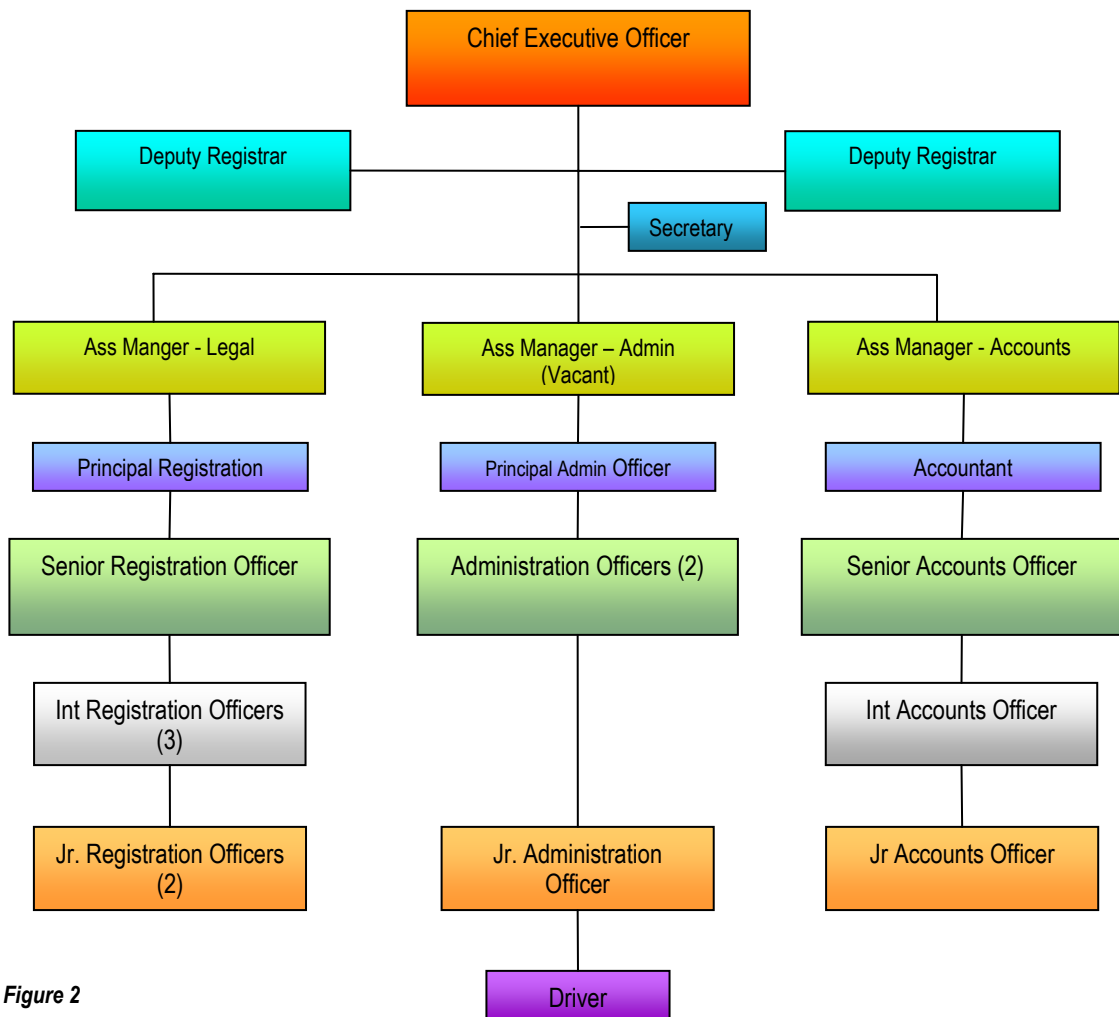


Figure 2

The daily operations of the Authority have been mandated to the supervision of the Chief Executive Officer, Management and Support Staff. The Authority employs eighteen (18) staff, whom are divided into three (3) sections, Registration, Accounts and Administration as illustrated by the organisational chart in Figure 2. The three (3) sections broadly represent the main functions within the Office as outlined in the reports from each section.

2.1 REGISTRATION

A crucial feature of the Authority's operations is the provision of registration services for international companies and other corporate

entities for the international investor desiring to take advantage of our Centre's international financial services. To facilitate this very important feature of the Authority's operations; is the Registration Team. The Registration team comprises an Assistant Manager and a team of six (6) Registration Officers.



Registration Staff

The Registration Team is responsible for the performance of several transactions to effect the

registration process of International Companies and various other corporate vehicles i.e. International Trusts, Limited Life Companies, Long Term Companies and so forth. As time is of the essence for clients who utilise our services the Registration Team strives to register all companies lodged with the Authority for incorporation within a twenty four hour period or less. During busy periods (January and February) the Registration Team are often besieged with as many as one hundred (100) to five hundred (500) companies to be incorporated in a single day.



Staff member creating company files for entities registered with the Authority.

In performing its routine functions (previously detailed) the Registration Team is committed to providing a service that is world-class and in accordance with international standards of best practice. Similarly the Registration Team is acutely aware of the demanding pace and high standards expected from our clients; hence the team is constantly striving towards delivering a service that is professional, efficient and within a timely manner.

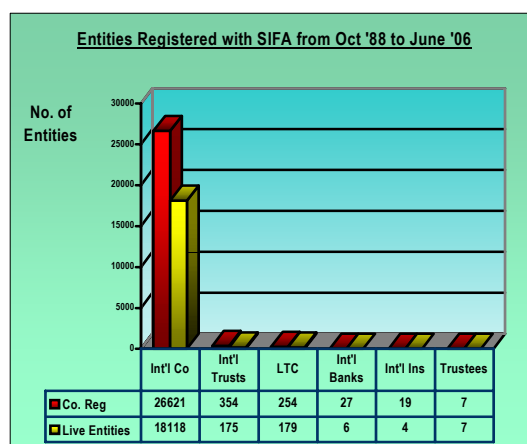


Registration staff receiving documents from a trustee company officer for registration of companies.

Another important service rendered by the Registration Team is the processing of various differing requests incidental to the entities already registered for example requests for the provision of Certificates of Good Standing, the winding down of operations of an entity, the change of name of an entity and so forth.

Additionally the Registration Team is responsible for keeping and the continuing maintenance of records for all entities registered, to ensure the integrity and accuracy of such records and the registry as a whole.

For this financial year we have witnessed an increase in the number of International Companies registered with the Authority.



In the past twelve months, we have incorporated five thousand and six (5,006) new Companies

compared to four thousand two hundred and four (4,204) the previous year. There are twenty nine (29) new long term companies and thirty-eight (38) new trusts.

Entities on the register as at 30 June 2006 show eighteen thousand one hundred and eighteen (18,118) international companies, one hundred and seventy nine (179) long term companies, one hundred and seventy five (175) international trusts, four (4) international insurance, six (6) international banks and seven (7) trustee companies.

Since establishment in October 1988, the total numbers of entities that have been registered amounted to twenty six thousand six hundred and twenty one (26,621) international companies, two hundred and fifty four (254) long term companies, three hundred and fifty four (354) international trusts, nineteen (19) international insurance, twenty seven (27) international banks and seven (7) trustee companies.

The figures alluded to above demonstrate the enormity and importance of the work routinely performed by the Registration Team on a daily basis. At times the workload is overwhelming and demanding however the Registration Team are committed and hard working individuals who function well as a team ensuring SIFA meets and caters to the dynamic needs of its clients.

2.2 ACCOUNTS

The Accounts Section of the Authority is responsible for recording and maintaining

accurate and complete records of its financial transactions and assets. This includes keeping accounts and managing of monies received and expended by the Authority.



Accounts Staff

The financial accounts are currently audited by the external auditor, Isitolo Leota Public Accountant.

2.2.1 Supervision

Additionally, the Accounts Section also assists the Chief Executive Officer in the licensing and supervision of international banks, insurance's and trustee companies. The Authority regularly receives and assesses statutory returns on key facets of these registered entities, financial and operational activities which are referred to as offsite supervision.



Assistant Manager Accounts at work

The Accounts section also conducts on-site supervision essentially to confirm the accuracy

of returns received by the Authority and to ensure international standards for effective supervision are being implemented.

The Accounts Team also assists in the Authority's efforts in strengthening the institutional infrastructure to combat Money Laundering and Financing of Terrorism. This is driven by adopting international standards such as the Financial Action Task Force's (FATF) 40+9 Recommendations on Anti-Money laundering and Combating Financing of Terrorism (AML/CFT) and ensuring that these are being implemented by the licensed entities.



Meeting with stakeholders

As at 30 June 2006, six (6) international banks are licensed under the International Banking Act 2005 to transact from within Samoa offshore banking business. Similarly, two (2) captive insurance companies, one (1) general and life insurance company and one (1) insurance manager are registered under the International Insurance Act 1988. A total of seven (7) trustee companies are registered to carry on business as Trustee companies under the Trustee Companies Act 1987.

2.3 ADMINISTRATION

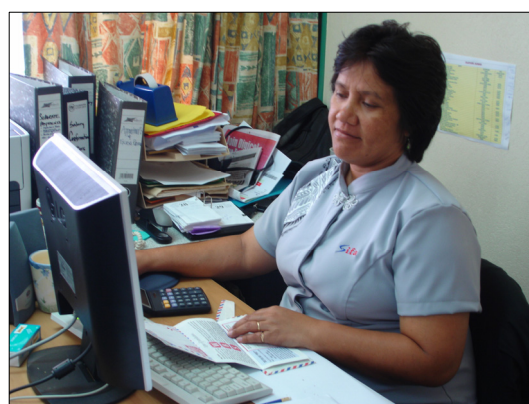
The administration section was established in May 2005 when SIFA became a newly established Statutory Body. Its core functions are to administer the Authority's rules and regulations together with the management of staff resources.



Administration Staff

2.3.1 Staff Development

The Authority recognises the importance of ensuring its employees perform their respective functions to the highest standards possible therefore one of the Authority's main objectives is to provide training for its employees on a regular basis, through its local training programs and securing relevant attachment training opportunities overseas. Moreover, in an endeavour to achieve higher qualifications, staff members are encouraged to pursue further studies at the tertiary level relevant to their work and other areas within the office.



Administration staff member at work

2.3.2 Staff Promotion

The Authority values the work of its employees, to this end the Authority has designed an appraisal system whereby on an annual basis each employee is given the opportunity to assess and comment on their performance throughout the year. The self appraisal together with the appraisal carried out by the immediate supervisor provides management with the necessary information to make an informed decision regarding the level of the employee's performance and reward the employee accordingly through increments on top of the employees existing salary.

The appraisal system is a great incentive for employees to perform to the highest level. In addition to the increment awarded for excellence demonstrated by an employee in the performance of his/her duties the Authority also rewards its employees through promotion of employees to higher positions.

In this financial year there was only one (1) promotion awarded which was within the registration section.

2.3.3 Student Work Experience

The Authority has over the years provided opportunities for part-time work experience for students from local institutions such as the Samoa Polytechnic now affiliated with the National University of Samoa. This scheme presents students with the opportunity to acquire firsthand practical experience within a workforce environment to further expand the skills and knowledge achieved during their studies which

will ultimately assist them with their future careers.

The Authority has been very fortunate to receive students possessing essential qualities of commitment, hard-work and ability to acquire skills quickly which have assisted the Authority immensely during very busy and strenuous periods for the Office.

Students demonstrating excellence during their service with the Authority have secured employment with the Authority subject to there being a need for additional staff and also provision within the operational budget.



Part-time student carrying out work within the Registration section.



3.0 LAWS GOVERNING SAMOA INTERNATIONAL FINANCE AUTHORITY (SIFA)

Since inception in 1988, the Samoan authorities have been reviewing its laws against modern user trends to ensure that it remains competitive.

With nearly 40 jurisdictions worldwide offering international financial services it is crucial for any aspiring jurisdiction to keep abreast of developments in the offshore world.

To meet the evolving and sophisticated needs of the international investor, our Centre has been proactive in ensuring it meets the dynamic needs of investors. As such, the Authority regularly reviews its laws against international standards and also with a view to further diversifying its product base and to further broaden the range of corporate vehicles already available.



Deputy Prime Minister and Minister of Finance Hon. Misa Telefoni Retzlaff

In offering cross border financial services, Samoa does recognise its responsibilities to the

international community and has enacted laws as a reflection of this commitment for example, the Money Laundering Prevention Act 2000 and the Prevention and Suppression of Terrorism Act 2002.



Parliamentary House at Mulinuu where Legislations are passed

Summaries of the Legislations currently administered by SIFA are provided below, (for complete copies of the Legislations you can download or view them on our website at www.sifa.ws).

3.1 Samoa International Finance Authority Act 2005

Passage of the Act created a new independent statutory government body to take over the regulation, administration and supervision of the offshore sector. It also formalised the role and functions of the board by statute. Moreover it allows the centre to develop and maximise potential growth as a one stop regulatory shop e.g. to drive policy in the international financial

services sector and manage a new area of international business.

3.2 International Companies Act 1987

Provides for the incorporation and registration of international and foreign companies. Incorporating an international company is relatively simple and only exceptionally will it take more than one day.

There is no prescribed application form and no prior Government approval required. Application is made to the Registrar of International and Foreign Companies through a licensed trustee company, accompanied by the company's Memorandum and Articles of Association, the incorporation fee of US\$300.00 which is fixed and notice of registered office.

The Act provides a Schedule of Standard forms of Memorandum and Articles of Association which can be adopted with or without variation.

There need only be one subscriber and normally this would be a trustee company or a nominee company acting on behalf of the beneficial owner, whose name need not be disclosed.

3.3 International Trusts Act 1987

Provides for the registration of international trusts thus enabling it to enjoy certain privileges and exemptions. An international trust is a trust in respect of which one trustee at least is either a trustee company, an international or foreign company and the beneficiaries are at all times non-residents.

In relation to legal issues concerning a trust, the Court will apply the Act and the English common law and equity in force in Samoa but to validate the trust instrument, it may apply the law of the country where the trust instrument was executed or where the trust property is situated or where the trustees, the settler or the beneficiaries are normally resident or domiciled. An international trust is not required to file any accounts or reports.

3.4 Trustee Companies Act 1987

Provides for a company incorporated as a domestic company to be licensed to conduct trustee company business for non residents of Samoa (offshore clients).

Trustee companies, also known as corporate service providers are the core of the offshore industry, being the only entities allowed to engage in the incorporation and servicing of international companies.



Central Bank of Samoa Building

3.5 International Banking Act 2005

The Act governs the licensing of international and foreign companies registered under the International Companies Act 1987 and other

overseas companies who wish to carry on international banking business from within Samoa.

The Inspector of International Banks is appointed by the Minister responsible for the regulation and supervision of licensees. The licensing and disciplinary powers reside with the Minister.

The Act provides a 3 tiered licensing system for **A**, **B1** and **B2** class offshore banking licenses. The categories of licenses vary according to capital requirement and authorised scope of activities, for example whether deposits can be accepted from the public or whether the bank is a captive bank.



SIFA's CEO at the opening of the TIEA Workshop

3.6 International Insurance Act 1998

Regulates offshore insurance business carried on by international and foreign companies registered under the International Companies Act 1987. There are four (4) types of insurance licenses i.e. general, long term, reinsurance and captive insurance business.

3.7 Segregated Fund International Companies Act 2000

Provides for a Trustee company to apply to the Registrar to either (1), incorporate a segregated fund international company or to register an existing international company as a segregated fund international company if authorised by its memorandum or (2), to register a segregated fund international company by way of continuance.

Applications must be lodged together with Memorandum and Articles of the proposed company, Notice of registered office, the prescribed fee(s) and certificate by the trustee company confirming all requirements of the Act have been complied with.

3.8 International Partnership and Limited Partnership Act 1998

The Act provides for exempt International Partnerships and Limited Partnerships. An international or limited partnership is defined as being registered under the Act and in respect of which all partners are at all times non-residents of Samoa; and the partnership does not carry on business or engage in a trade in Samoa; and one of the partners or limited partner of the limited partnership is either an international company, registered by a foreign company or a licensed trustee company. Every partnership is required to have a registered office in Samoa, which must be the office of a trustee company.



Workshop on Anti-Money Laundering

3.9 Money Laundering Prevention Act 2000

The Act defines “money Laundering” as engaging whether directly or indirectly in any transaction that involves property which is the proceeds of crime or having reasonable grounds for believing the property represents proceeds of crime.



Central Apia

“Proceeds of crime” means proceeds of unlawful activity which is defined as any activity that is a crime anywhere in the world and is punishable by imprisonment for a maximum period of not less than five (5) years. Fiscal Crimes relating to the imposition, collection or enforcement of taxes or exchange control regulations are specifically excluded.

The penalties for a person guilty of money laundering include imprisonment for a maximum period of seven (7) years and/or a fine not exceeding SAT\$1,000,000 (approximately USD\$300,000).

The Act covers all “financial institutions” as defined in the Act to include not only banks and trust companies, but money transmission services, insurance companies, trust business providers, lawyers, accountants and investment business.

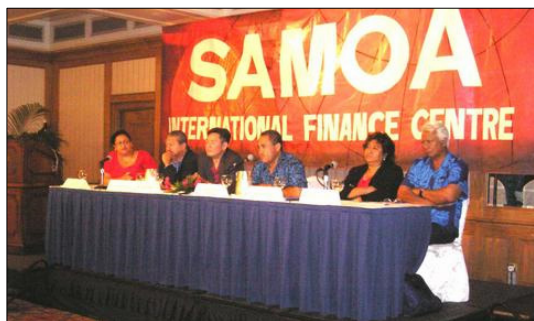
3.10 Prevention & Suppression of Terrorism Act 2002

The Act provides for the criminalisation of various specific acts including terrorist bombing, hostage taking, attacks against Internationally Protected Persons, unlawful seizure of aircraft, violence at airports and seizure of ships. The financing of such terrorist acts is also an offence. The Act further provides for the freezing and forfeiture of funds and proceeds used for the financing of terrorism and allows for the arrest and extradition of suspected foreign terrorists. Additionally, the Act gives effect to Samoa’s international treaty obligations regarding the prevention and suppression of terrorism.



4.0 PROMOTIONAL ACTIVITIES OF SIFA

Consistent with previous Government practice of sending high level Government delegations to Asia for promotional purposes, 2006 was no different with the official delegation approved by Cabinet, led by the Hon. Minister of Finance. Other members of the delegation were the Chairman of the SIFA Board (also the Governor of the Central Bank), the Attorney General, the Chief Executive Officer-SIFA, and one private sector member of the SIFA Board.



Samoa Delegation in Singapore, for the Singapore Leg of its Asian Promotion May 2006.

Traditionally, our Asian promotional visits are scheduled to coincide with the Hong Kong 7s Rugby Tournament in late March, in order to capitalise on our Rugby team's popularity. It was deferred this year, as a result of the recent elections in March, to late May in Singapore and early June in Hong Kong, after consultations with the private sector stakeholders.

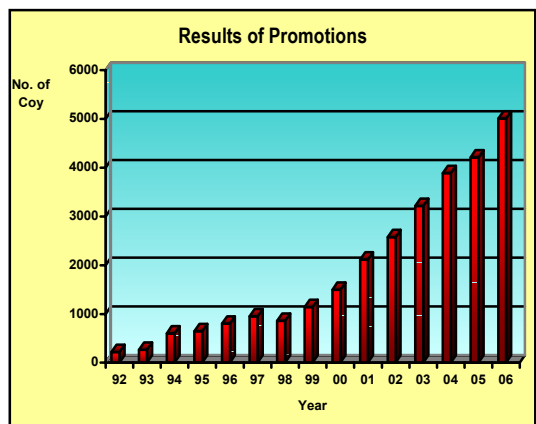
The reasons for the continued promotion of our international financial services in Asia, since the early 1990s by a high level government delegation are as follows:

- i. The newly created umbrella regulatory authority for the offshore sector; the Samoa International Finance Authority (SIFA) needs to keep the momentum of its efforts, to promote Samoa as the leading jurisdiction in the South Pacific, in light of the imminent closure of Niue's International Finance Centre.
- ii. The need to assure our investors at the highest level, of our Government's steadfast support, and continued commitment to maintain our Centre's operations, despite the threat of global initiatives of major countries, calculated to close down small developing financial centres.
- iii. The significant importance of personal contact and status of our delegation members, to the Asian market, as illustrated by their positive and continued support, since our promotional visits started nearly 20 years ago.



Chairman-Mr Papalii Tommy Scanlan (3rd from right) at a dinner hosted by SIFA in Hong Kong – Asian Promotion 2006.

iv. The continued high level usage of our international financial facilities, by the Asian clientele to facilitate investment, into the fastest growing economies of the world i.e. Samoa is rated as one of the top ten investors into the Peoples Republic of China.



Graph depicting the increase in the number of entities registered with SIFA – a direct result of promotional efforts by the Authority each year.

4.1 OTHER PROMOTIONAL ACTIVITIES

The Authority recognizes the importance of exploring different mediums and creating alternative promotional opportunities through which the Authority can derive maximum exposure thus enticing more foreign investors to our jurisdiction. To this end, the Authority has ventured into the area of Sponsorship as another mechanism for promoting our Centre.

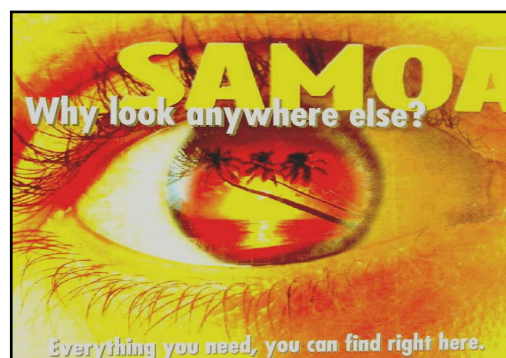
The most high profile Sponsorship to date for SIFA is its current sponsorship of the Samoa National Fifteen (15) aside rugby team, the Manu Samoa Team, in particular sponsorship of the Manu Samoa tour of the Northern Hemisphere (Scotland, England, Ireland, Wales) in November 2005.



Manu Samoa Team

A direct promotional benefit for the Authority has been the naming rights it secured for the Manu Samoa Rugby Team. The SIFA logo appeared on the front of the teams playing jersey worn during the Manu Samoa tour of the Northern Hemisphere, and all other subsequent games after the tour.

Additionally the Authority’s logo also appeared on the Manu Samoa banner used during press conferences and other promotional events by the Manu Samoa team both locally and abroad. As well as the SIFA logo appearing on banners it also features on all documents, publications and other paraphernalia associated with the Manu Samoa Rugby Team.



Promotional advertisement to attract foreign investors to the Samoa jurisdiction.

SIFA has also made considerable contributions to the local community through sponsorship. The 2006 Samoa Golf Open, an annual event hosted by the Royal Country Golf Club at Fagali’i attracting several overseas players to partake in the 3 day tournament benefited from

sponsorship provided by SIFA. In return for the sponsorship assistance provided, SIFA was granted the right to display a banner bearing the SIFA logo in a very prominent location at the Fagali'i Golf Course. Similarly, the more low profile events organised to raise funds for specific purposes have also derived benefits as a direct result of sponsorship provided by SIFA. Consequently the profile of SIFA within the local community has been raised considerably.

4.2 FEATURES OF OUR FINANCE CENTRE PROMOTED TO FOREIGN INVESTORS

Samoa a conveniently located sovereign nation in the heart of Polynesia, offers the following benefits:

- ❏ Secure investment environment given our more than 40 years of political stability.
- ❏ Stable economy – declared by the IMF & World Bank as the model for the Pacific Region.
- ❏ Advantageous geographical location offering time zone flexibility to the offshore world.
- ❏ Quality transportation infrastructure.
- ❏ Developed communication systems.
- ❏ Innovative and user-friendly laws with strict confidentiality.
- ❏ Reasonable incorporation charges.

- ❏ Competitive redomiciliation fees.
- ❏ Foreign Language registration.



Pacific Teams at Oceania Athletics Opening Parade



5.0 STAFF ACTIVITIES

5.1 STAFF TRAINING

One of the statutory functions of the Authority is to provide training schemes for its employees. Therefore staff training is accorded priority given the fast pace with which developments are occurring within the offshore industry. To this end Management staff during the year attended various international seminars as part of our commitment to adopt international best practises which are aimed at eliminating economic crimes such as money laundering and terrorist financing. Senior staff also participated in various international trainings and attachments to ensure that they keep abreast with developments in the supervision of financial institutions and best practises of international registries.



Tax Information Exchange Workshop (Samoa)

As such members of the Authority attended:

- Sub-Group meetings on the “Level Playing Field” issues as a result of the Organisation for Economic Cooperation and Development

(OECD) Harmful Tax Initiative:
(Melbourne Australia)

- Corporate Registrars Forum (Hong Kong)



Corporate Registrars Forum (Hong Kong) – Attended by Ms Erna Va'ai and Ms Sieni Voorwinden

- Asia Pacific Group (APG) on Anti Money Laundering/Combating Financing of Terrorism (Fiji)
- Offshore Group of Insurance Supervisors (OGIS) 13th Working Meeting (St. Lucia)
- Attachments with the New Zealand Companies Registry Office through the Ministry of Economic & Social Development (New Zealand)
- Workshop co sponsored by the International Monetary Fund (IMF) on money laundering/combating financing of terrorism (Samoa)
- Workshop co-sponsored by the Australian Tax Office, in order to negotiate a Tax Information Exchange Agreement (TIEA) between Samoa and Australia (Samoa)

- ❏ Pacific Financial Technical Assistance Centre (PFTAC) Insurance Supervision Workshop (Australia)



OGIS Working Meeting (St Lucia) – Attended by Ms Ala Lima.

- ❏ Association of Financial Supervisors of Pacific Countries (AFSPC) Regional Seminar on Insurance and Pension Fund Supervision and Risk Management in Banks (Papua New Guinea)

The Authority wishes to record its appreciation to the IMF for the continued technical assistance provided towards our staff training programmes and overall development.

5.2 SOCIAL CLUB



Promoting healthy lifestyle – Social club walkathon at the Waterfront

The Authority is greatly 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 standards. To this end the Authority has encouraged the formation of a social club to cater for the more social and light hearted activities for the enjoyment of its employees.

Social club activities further provides an outlet for employees to relax and enjoy each others company outside of the office environment hence assisting in raising the overall morale within the Authority.



Staff members enjoying SIFA's Christmas function.

The social club executive committee is responsible for organising activities to generate funds for the social outings enjoyed by all employees. In this financial year the executive committee were successful in organising two (2) walkathons which not only raised funds but also promoted healthy lifestyle of the employees.

The Authority annually hosts a Christmas party for its employees, this financial year was no different and much fun was had by all employees and invited guests at our 2005 Christmas party.



6.0 FUTURE DEVELOPMENTS FOR SIFA

6.1 ONLINE REGISTRATION SYSTEM

The Authority is constantly developing strategies and implementing mechanisms to further improve and enhance the services we provide to all our clients. To this end the Authority has invested in the development of an On-line Registration System allowing the registration of company process to be transacted electronically. The realisation of such a system ensures that our clients will have better access to our services with the availability of several transactions pertaining to company incorporations and other transactions on-line.



Registration staff member scanning documents

In the more economically developed jurisdictions like Singapore and New Zealand on-line registration systems have existed for a number of years now transforming their operations from a manual and often labour intensive system to a more efficient, timely and accessible system not only for the Companies Registry but more importantly for the client.

The Authority is acutely aware that in order for Samoa to compete with other offshore jurisdictions we must invest in our infrastructure to ensure that Samoa is able to meet the changing needs of its clients, and provide a service that is world-class and in line with international standards of best practice.

6.2 IT PERSONNEL

Much of the work of the Authority is dependent upon having in place an efficient and secure infrastructure in terms of technology in the form of computers, scanners, photocopiers, internet access and so forth. As a result the Authority plans to expand its capacity to accommodate this need by recruiting IT personnel suitably qualified for this role.

Additionally, as the Authority continues to thrive and progress in its operations, Management anticipates a need for recruitment of additional suitably qualified personnel in all three sections of the Authority.



Registration section – photocopying documents

Incidental to the need to recruit more personnel for the continuing progression of the Authority's operations arises the need for the Authority to occupy more spacious premises conducive to greater productivity. Therefore, another future development for the Authority will be acquiring suitable premises to allow for growth of the Authority.



SAMOA INTERNATIONAL FINANCE AUTHORITY



FINANCIAL STATEMENTS 30 JUNE 2006

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**ISITOLO LEOTA
PUBLIC ACCOUNTANT**

Nia Mall, 1st Floor
Vaea Street, Saleufi
Apia, Samoa

Telephones: (685) 25066 / 29891
Fax: (685) 26897 P.O.Box 2151
E-mail: is1@lesamoa.net

INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS OF
THE SAMOA INTERNATIONAL FINANCE AUTHORITY**

I have audited the financial statements of the Samoa International Finance Authority for the year ended 30 June 2006, consisting of the statement of financial position and related statements of financial performance, cash flows and accompanying notes.

The Board of Directors of the Authority is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the Authority's financial position at 30 June 2006 and of the results of operations and cash flows for the year then ended. My responsibility is to express an independent opinion on these financial statements.

Scope

I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

Audit Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Authority as at 30 June 2006 and of the results of its operations and its cash flows for the year then ended.

I have obtained all the information and explanations I have required. In my opinion, the Authority has kept proper books of account and its financial statements have been drawn up in accordance with International Accounting Standards and give in the prescribed manner the information required by the Samoa International Finance Authority Act 2005.

Isitolo Leota
Public Accountant

Apia, Samoa
23 October 2006

**SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2006

	Notes	2006 SAT\$	2005 SAT\$
GENERAL FUND	2	<u>31,911,841</u>	<u>30,503,945</u>
Represented by:			
CURRENT ASSETS			
Petty cash		160	35
ANZ Bank (Samoa) Limited – current account		2,055,781	69,996
ANZ Bank (Samoa) Limited – USD account		1,886,223	782,877
Samoa Commercial Bank Limited – USD account		569,149	540,070
National Bank of Samoa Limited – savings account		1,490	-
Credit card account		8,359	6,416
Fixed Deposits	5	26,244,755	28,167,687
Trust account		1,878	2,740
Receivables and prepayments	3	<u>681,284</u>	<u>661,532</u>
		<u>31,449,079</u>	<u>30,231,353</u>
CURRENT LIABILITIES			
Sundry creditors	4	400,850	253,795
Trust funds		1,878	2,740
MFA Fees		16,095	3,117
Provision for annual leave		<u>25,803</u>	<u>16,478</u>
		<u>444,626</u>	<u>276,130</u>
NET WORKING CAPITAL		31,004,453	29,955,223
PROPERTY, PLANT AND EQUIPMENT	6	546,753	548,722
RECEIVABLES AND PREPAYMENTS	3	360,635	-
		<u>31,911,841</u>	<u>30,503,945</u>

The relevant notes on pages 30 to 32 form part of this statement of financial position



Chairman



Chief Executive Officer / Director

**SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE**

FOR THE YEAR ENDED 30 JUNE 2006

REVENUE	Notes	2006 SAT\$	2005 SAT\$
Incorporation and annual fees		12,873,253	10,259,641
Banking and license fees		164,471	192,814
Interest Income		2,013,485	1,870,402
Gain on sale of property, plant & equipment		-	1,118
Exchange gain		85,390	-
Other fees		<u>497,672</u>	<u>435,416</u>
		<u>15,634,271</u>	<u>12,759,391</u>
 EXPENSES			
Audit fee – current year		5,500	4,900
- prior year overaccrual		-	(374)
Depreciation	1.2,6	142,729	115,096
Communications		13,863	15,050
Printing & stationery		93,338	81,140
Promotions		940,263	637,506
Occupation costs		155,054	133,002
Staff costs		438,313	386,163
Directors fees		94,406	24,619
Management allowances		49,591	44,651
Exchange loss		-	38,653
Others		<u>201,271</u>	<u>192,332</u>
		<u>2,134,328</u>	<u>1,672,738</u>
 Net Income		 13,499,943	 11,086,653
 Transferred to General Fund	 2	 <u>(13,499,943)</u>	 <u>(11,086,653)</u>
		<u>\$NIL</u>	<u>\$NIL</u>

The relevant notes on pages 30 to 32 form part of this statement of financial performance.

**SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2006

	2006 SAT\$	2005 SAT\$
CASH FLOWS FROM/(TO) OPERATING ACTIVITIES:		
Cash receipts from customers	13,637,353	10,898,465
Cash paid to suppliers and employees	<u>(1,954,509)</u>	<u>(1,548,087)</u>
Net cash flows form operating activities	<u>11,682,844</u>	<u>9,350,378</u>
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES:		
Interest received	2,072,634	1,647,049
Proceeds from sale of property, plant and equipment	-	7,842
Net increase in customers deposits	123,545	48,689
Acquisition of property, plant and equipment	(140,759)	(338,196)
Payment of staff loans transferred from Central Bank of Samoa	<u>(447,381)</u>	<u>-</u>
Net cash flows from investing activities	<u>1,608,039</u>	<u>1,365,384</u>
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES:		
Payment to the Government of Samoa	<u>(12,092,047)</u>	<u>(5,000,000)</u>
Net cash used by financing activities	<u>(12,092,047)</u>	<u>(5,000,000)</u>
Net increase in cash and cash equivalents	1,198,836	5,715,762
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>29,567,081</u> <u>30,765,917</u>	<u>23,851,319</u> <u>29,567,081</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR IS REPRESENTED BY:		
Petty cash	160	35
ANZ Bank (Samoa) Limited – current account	2,055,781	69,996
ANZ Bank (Samoa) Limited – USD account	1,886,223	782,877
Samoa Commercial Bank Limited – USD account	569,149	540,070
National Bank of Samoa Limited – savings account	1,490	-
Credit card account	8,359	6,416
Fixed deposits	<u>26,244,755</u>	<u>28,167,687</u>
	<u>30,765,917</u>	<u>29,567,081</u>

The relevant notes on pages 30 to 32 form part of this statement of cash flows.

**SAMOA INTERNATIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 HISTORICAL COSTS

The accounting principles adopted by the Authority are in accordance with the laws of Samoa and in particular the legislation relating to the international finance centre. Financial statements have been prepared on the basis of historical costs using generally accepted accounting principles consistently applied.

1.2 DEPRECIATION

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 vehicles	: 5 years
Leasehold improvement	:10 years

1.3 FOREIGN CURRENCIES

All amounts are expressed in Samoa Tala. Transaction in foreign currencies have been converted at the rates ruling at the time of transaction. Assets and liabilities in foreign currencies at year end have been converted at rates ruling on that date. Exchange differences are taken to the statement of financial performance.

1.4 EMPLOYMENT ENTITLEMENTS

The provision for annual leave is accrued based on employees current salary.

2. GENERAL FUND

	2006	2005
	SAT\$	SAT\$
Balance brought forward	30,503,945	24,417,292
Transfer from statement of financial performance	13,499,943	11,086,653
Paid to Government	<u>(12,092,047)</u>	<u>(5,000,000)</u>
	<u>31,911,841</u>	<u>30,503,945</u>

3. RECEIVABLES AND PREPAYMENTS

	2006	2005
	SAT\$	SAT\$
Interest receivables	572,598	611,668
Prepaid expenses	42,019	49,864
Other receivables – (secured) current	66,667	-
	<u>681,284</u>	<u>661,532</u>

Other receivables – (secured) long term	<u>360,635</u>	<u>-</u>
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4. SUNDRY CREDITORS

	2006	2005
	SAT\$	SAT\$
Customers' deposits	352,427	212,312
Accrued expenses	48,423	41,483
	<u>400,850</u>	<u>253,795</u>

**SAMOA INTERNATIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2006 - Continued

Sundry creditors are mainly funds deposited by trustee companies into the USD accounts to pay for incorporation / renewal of their companies registered with the Authority. These advanced deposits will not be utilized until the 2006/2007 financial year.

5. FIXED DEPOSITS

Fixed deposits are with the ANZ Bank (Samoa) Limited, Westpac Bank (Samoa) Limited, National Bank of Samoa Limited and the Samoa Commercial Bank Limited. These deposits are for terms of 6 to 12 month at interest rates of 6.0 to 8.80 percent per annum.

6. PROPERTY, PLANT & EQUIPMENT

30 June 2006

	Cost SAT\$	Accum Depn SAT\$	WDV SAT\$	Depn Charged SAT\$
Furniture and fittings	292,564	81,954	210,610	26,846
Office equipment	475,667	247,787	227,880	77,290
Motor Vehicles	186,831	92,043	94,788	37,366
Leasehold improvement	14,700	1,225	13,475	1,227
	969,762	423,009	546,753	142,729

30 June 2005

	Cost SAT\$	Accum Depn SAT\$	WDV SAT\$	Depn Charged SAT\$
Furniture and fittings	279,356	55,108	224,248	25,328
Office equipment	362,817	170,497	192,320	52,402
Motor Vehicles	186,831	54,677	132,154	37,366
	829,004	280,282	548,722	115,096

7. SAMOA INTERNATIONAL FINANCE ACT 2005

The Authority is established under the Samoa International Finance Authority Act 2005. Prior to the commencement of this Act, the Office was operated as the International and Foreign Companies, attached to the Central Bank of Samoa.

8. INCOME TAX

The Authority is exempt from paying income tax in Samoa in accordance with Section 23 of the Samoa International Finance Authority's Act 2005.

9. CAPITAL COMMITMENT

It is anticipated that the balance of \$2,907,752 of the total amount approved of \$15,000,000 for 2005/2006 financial year, will be transferred to the Government of Samoa. (2004/2005: \$5,000,000)

Operating Lease Commitment

Samoa International Finance Authority is leasing office space from the Central Bank of Samoa at a monthly rental of \$7,885 (2004/2005: \$7,159)

**SAMOA INTERNATIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2006 - Continued

10. CONTINGENT LIABILITY

The directors are not aware of any contingent liability at balance date (2004/2005: \$nil)

11. NATURE OF BUSINESS

The Authority administers and supervises the registration of companies, trustees and the licensing of banks, insurance and trustee companies under various international financial services legislation.