

2011 Annual Report | 6th Edition

# SAMOA

## International Finance Authority





GOVERNMENT OF SAMOA

OFFICE OF THE MINISTER OF FINANCE

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

03 November 2011

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 30<sup>th</sup> June 2011, together with the audited accounts for that period and the report of the Auditor on those accounts.

(Faumuina Tiatia Faaolatane Liuga)  
**MINISTER OF FINANCE**





# Samoa International Finance Authority

Please address correspondence to  
THE CHIEF EXECUTIVE OFFICER

11 January 2011

Honourable Faumuina Tiatia Faaolatane Liuga  
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 2010 to 30 June 2011

The report comprises:

- (a) a report on the Authority's operations during the twelve (12) months to end 30 June 2011; and
- (b) the Authority's audited accounts for the twelve (12) months ended June 2011 together with the auditor's report.

Yours faithfully

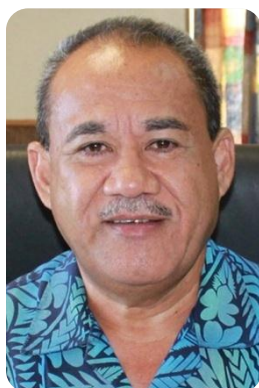
Erna Va'ai  
**CHIEF EXECUTIVE OFFICER**

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## STATEMENT FROM THE CHAIRMAN



**A**s Chairman of the Board, I am pleased to present the 6<sup>th</sup> edition of the Samoa International Finance Authority (SIFA) Annual Report which entails the efforts and achievements of our offshore sector for the financial year ending 30 June 2011 (FY2010/11).

Following the adverse effects of the global financial crisis and the devastating tsunami in the previous financial year, our economy recovered by up to 2.1 percent in 2010/11. These challenges were also endured by our Centre with the Authority achieving a net profit of 13.5 million. To this end, SIFA continues to contribute substantially to the Samoan economy not only through financial commitments but also in generating of business for our local law and accounting firms.

The Authority continued with its annual Asian Roadshow which was held twice this financial year to ensure Samoa maintains its stronghold in the Asian market. The first promotional Roadshow coincided with the annual Chinese Expo where the Authority obtained further exposure in Asia given the participation of a Samoan dance troupe and marketing personnel from the Samoa Tourism Authority (STA) promoting Samoa as a tourism destination. These Roadshows proved to be effective marketing tools where we connected with the relevant intermediaries and prospective clients providing them the opportunity to acquire firsthand information about the Authority's products and services through seminars and presentations.

On the development side, the Authority strives to uphold its good reputation as a secure offshore centre by adhering to international standards promulgated by organizations such as Organization for Economic Cooperation and Development (OECD), International Monetary Fund (IMF) and the Financial Action Task Force (FATF) through its participation in international seminars and conferences. Active participation in the OECD PRG meetings is particularly important given Samoa's impending Phase 1 Review within the next financial year.

Further, the Authority continues to work collaboratively with the Money Laundering Prevention Authority in addressing money laundering issues. In that regard, both Authorities in their capacities as regulators for local and international financial institutions conducted an on-site visit during the year to ensure implementations of AML guidelines by such institutions.



In the national calendar of events, the general elections held in March 2011 resulted in a change in ministerial roles which saw us bid farewell to former Minister of Finance who was the Minister for SIFA, Honourable Niko Lee Hang and welcome on board his replacement; Honourable Faumuina Tiatia Faaolatane Liuga. We wish Honourable Niko Lee Hang all the best in his political career and look forward to working with Honourable Faumuina Tiatia Faaolatane Liuga.

In a closing remark, I wish to extend my heartfelt appreciation on behalf of the Board to the Chief Executive Officer, her management and staff for the excellent work during the year. The achievements of our Centre are credited to their ongoing commitment and dedication to the Authority's projects and developments.

Soifua ma ia manuia

A handwritten signature in black ink, appearing to read 'Leasi P. Scanlan', with a long horizontal flourish extending to the right.

Papalii Leasi Tommy Scanlan  
**CHAIRMAN and GOVERNOR OF THE CENTRAL BANK OF SAMOA**

## STATEMENT FROM THE CHIEF EXECUTIVE OFFICER



SIFA has had a very active and successful year consistent with the adage “there is never a dull moment in offshore finance”. Our cross border business and intense competition from better resourced rivals worldwide necessitates vigilance coupled with enthusiasm for ongoing improvement in our performance. As such, the Office is committed to raising the profile of Samoa on the world stage, as a business destination of choice.

In July 2010, a Government delegation led by the Hon. Minister of Finance, Niko Lee Hang and comprising the Chairman of SIFA/Governor of the Central Bank, the Attorney General, the Writer, ACEO Accounts and Supervision and our newly recruited Marketing Manager undertook the yearly SIFA Asian Roadshow. This time we deviated from the usual Hong Kong Rugby 7s fixture to the more momentous occasion of the Shanghai World Expo as the grand finale of our promotional efforts. To add value to such efforts, the composition of the delegation was expanded to include a banker from one of the commercial banks and Beijing was visited for the first time ever following the opening of Samoa’s new embassy there. The latter development is of particular significance to the continued growth of SIFA, as all jurisdictions vie to attract business from the Far East, where economic growth still persists despite difficulties in the West. For instance some of the long established jurisdictions have now set up representative offices in Hong Kong to improve market accessibility. The Shanghai World Expo where our culture and traditions were showcased over several months to millions of people did not disappoint us either, as evident when our delegation joined the Hon. Prime Minister and various other Government officials and dignitaries in celebrating the spectacular Samoa Day on 1<sup>st</sup> August 2010.

Targeting the ever growing market in the Peoples Republic of China necessitated expansion of our focus in March 2011 to the 2<sup>nd</sup> tier cities of Ningbo, Fuzhou and Xiamen, that are located on its South east coast. In anticipation of the language barrier difficulties, SIFA had all its promotional materials including the DVDs and corporate literature translated into Mandarin Chinese. Additionally the Office hired a public relations company for media exposure to run advertorials prior to the delegations arrival.

The new Marketing Division within SIFA assisted the Office greatly in consolidating its promotional efforts and activities throughout the year especially after being whitelisted by the OECD in December 2009.

Moreover, the fact of having two promotional visits within this financial year is a serious attempt by SIFA to increase its market



share in Asia having experienced a sharp decline in the volume of new business as a result of the 2008 global recession and the waning USD currency. i.e. the number of new companies in 2007 exceeded six thousand (6000) which plummeted in recent years to an average over the past two years of about four thousand (4000) companies per annum. This drop is reflected in the corresponding reduction in our net profit from \$16.5million to \$13.5million.

Other highlights of the 2010/2011 include:-

- i. The licensing of a new trustee company bringing the total number of corporate service providers/agents to eight (8).
- ii. A visit by the Asia Pacific Group on Money Laundering of which Samoa is an avid member and supporter in upholding international standards of best practice against money laundering.
- iii. The participation of the SIFA staff for the first time at the 13 Days of Xmas, a reinforcement of the importance of Christian spirituality in promoting staff camaraderie and unity.
- iv. The attendance by Senior Management and Staff of various seminars and conference to assist in upskilling them and to keep SIFA abreast of recent developments and future trends in international finance business.
- v. The sponsorship of the Judo World Cup by the Office alongside the SIFA Golf Tournament whose status was elevated following its recognition by PGA Australia.
- vi. Last but not least, the Minister of Finance Hon. Niko Lee Hang was farewelled as he was replaced by the Hon. Faumuina Tiatia Faaolatane Liuga following the March 2011 elections.

I also wish to extend my personal best wishes to the Hon. Niko Lee Hang in his future endeavours and warmly welcome our new Minister. Let me record also my appreciation to the Chairman and the Board Members for their ongoing support and advice.

With the firm support from my colleagues I am confident that the challenge for SIFA to maintain and enhance its position in the face of intensifying competition and stricter regulation shall be amply met in years to come.

May the Good Lord in his abounding mercy and grace bless you richly!

Soifua ma ia manuia,



Erna Vaai-Aiono  
**CHIEF EXECUTIVE OFFICER**

## 1. MANAGEMENT AND FUNCTIONS OF THE SAMOA INTERNATIONAL FINANCE AUTHORITY

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

SIFA is administered by a Board of Directors consisting of four Government officials (i.e. the Governor of the Central Bank, the Attorney General, the Chief Executive Officer of Ministry of Finance) and up to three directors from the private sector. The latter must have financial services background with relevant knowledge, experience and expertise to aid the Authority in its performance. The Board must meet at least once every two months. The Board members have a statutory obligation to declare any direct personal or pecuniary interest in any matter on each and every occasion the matter is discussed, and as soon as the member has knowledge of the relevant facts.

The functions referred to below broadly represent the varying functions performed on a daily basis and 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.

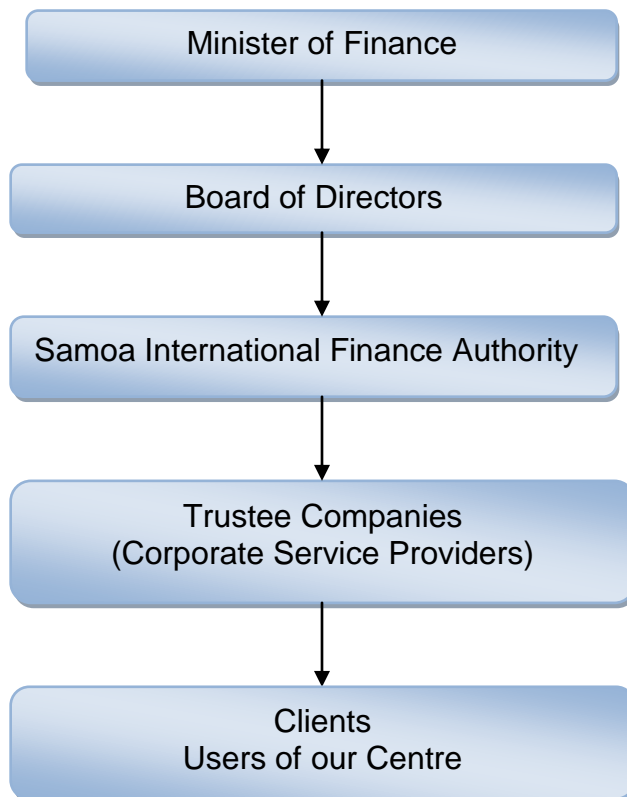
Functions of SIFA pursuant to section 4 of the Samoa International Finance Authority Act 2005 are:

- ⇒ 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

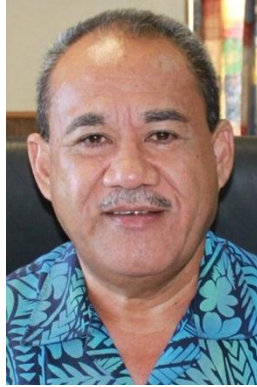
Such other functions in relation to international financial services as may by Order made by the Head of State.

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



## 2. STRUCTURE OF THE SAMOA INTERNATIONAL FINANCE AUTHORITY

### 2.1 Board of Directors



**CHAIRMAN**  
Leasi Papali'i Tommy Scanlan



**ATTORNEY GENERAL**  
Aumua M. Leung Wai



**CEO – SIFA**  
Erna Va'ai-Aiono



**CEO – MINISTRY OF FINANCE**  
Tupa'imatuna Iulai Lavea



**PRIVATE SECTOR**  
Father Spartz Silva



**PRIVATE SECTOR**  
Fatima Strickland



**PRIVATE SECTOR**  
Tuatagaloa A. Schwalger



## 2.2 Management

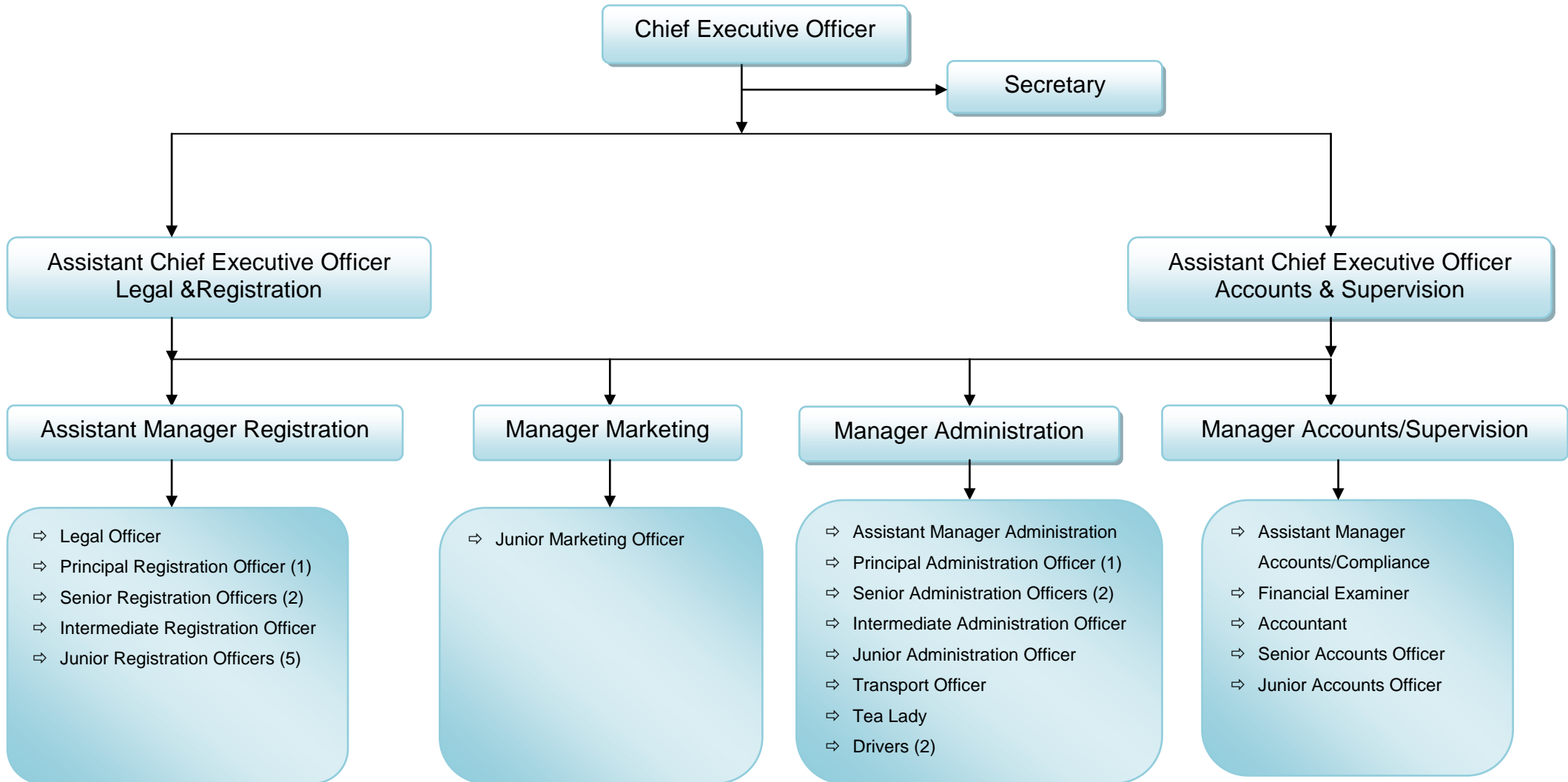


**Standing (L-R)** Koroseta Lesatele - Asst Manager Admin, Cheshire Malua – ACEO Accounts/Compliance, Kolisi Simamao – Asst Manager Accounts/Compliance

**Sitting (L-R)** Kalala Mataia - Asst Manager Registration, Sieni Voorwinden – ACEO Registration/Legal, Erna Vaai Aiono - CEO, Moana Ah Poe - Manager Admin, Agnes Kerlake – Marketing Manager

**Absent** Ala Meleisea - Manager Accounts/Compliance

## 2.3 Organisational Structure



## 2.4 SIFA Staff Members





### 3. GOVERNING LEGISLATION OF SIFA

The Samoa International Finance Authority (SIFA) was established by the Samoa International Finance Authority Act 2005 (SIFA Act) and administers the following legislation. In its quest to comply with international standards and keeping abreast of developments in the offshore world, the Authority and relevant local bodies regularly review its laws with a view to further diversifying its product base and broaden the range of corporate vehicles already available.



***Court House***

#### 3.1 SIFA Act 2005

The SIFA Act established an independent statutory body to regulate, administer and supervise international financial services within Samoa. The Act also prescribes the powers, functions and duties of the authority and formalized the role and functions of the board by statute. Additionally it enables the centre to develop and grow as a one stop regulatory shop in light of international financial services and businesses available globally.

#### 3.2 International Companies Act 1988

The Act provides for the incorporation and registration of international and foreign companies. Incorporation is a relatively simple and only exceptionally will take more than one day. 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 which is fixed and notice of registered office. A Schedule of Standard forms of Memorandum and Articles of Association which can be adopted with or without variation is provided in the Act.

### 3.3 International Trusts Act 1988

This Act provides for the registration of an international trust 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-resident. The registration and annual renewal fee is US\$150.00. Discounted fees on a long term registration basis for 5, 10 or 20 years are available. In regard 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 is executed or where the trust property is situated or where the trustees (or any one of them), the settlor or the beneficiaries are normally resident or domiciled.

### 3.4 Trustee Companies Act 1988

This Act 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.

### 3.5 International Banking Act 2005

The Act governs the licensing of international and foreign companies registered under the International Companies Act 1988 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. Application is made through the Inspector of International Banks who inter alia shall require from the

applicant particulars of its financial standing a business plan, its ultimate beneficial ownership (together with references, financial reports), and verification that every director, controller or manager is a “fit and proper” person in terms of integrity, competency and soundness. All licensees are required as a condition of their licence to establish and maintain a physical presence in Samoa.

### **3.6 International Insurance Act 1988**

Regulates offshore insurance business carried on by international and foreign companies registered under the International Companies Act 1988. There are four (4) types of insurance licenses i.e. general, long term, reinsurance and captive insurance business. Applications are made to the Registrar of International Insurance and the applicant company is required to produce evidence as to its financial standing, share ownership, police clearances and references. Registration fees vary depending upon the category of business carried on. Registration is renewable every 12 months on payment of the prescribed fee.

### **3.7 International 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.

### **3.8 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.

### 3.9 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.

### 3.10 Money Laundering Prevention Act 2007

This ACT provides for the prevention of Money Laundering and repeals the Money Laundering Act 2000. Further it implements international standards of best practice set by the Financial Action Task Force (FATF) to prevent Money Laundering. 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. A maximum period of seven (7) years and/or a fine not exceeding SAT\$1,000,000 (approximately USD4300, 000) is the penalty for an offence committed under this Act. 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.

### 3.11 Mutual Assistance in Criminal Matters Act 2007

The Act facilitates the provision and obtaining of international assistance in criminal matters. Criminal matter refers to criminal investigations and criminal proceedings and includes a matter (whether arising under the laws of Samoa or another foreign state) relating to the forfeiture or confiscation of property an offence or the restraining of dealings in property that may be forfeited or confiscated for an offence. The Act demonstrates the Authority's and Samoa's commitment to comply with international standards combating international criminal activities.

### 3.12 Proceeds of Crime Act 2007

The Act defines "proceeds of crime" as any property wholly or partly derived or realized, whether directly or indirectly from a serious offence whether situated within or outside Samoa. The Act empowers enforcements agencies of the Authority, Police Services,

Money Laundering Prevention Authority, Financial Intelligence Unit, Customs Department and Central Bank to take appropriate cause of action where any property defined in the act is believed to have been derived directly or indirectly from a serious offence within or outside Samoa. The offence is punishable by imprisonment for a maximum period of not less than five (5) years. Foreign restraining orders pertaining to the nature of criminal activities covered by the Act are obtained via the Mutual Assistance in Criminal Matters Act.

### 3.13 Mutual Funds Act 2008

This Act provides for the licensing and supervision of International Mutual Funds and Collective Investment Schemes and for managers and administrators. The Registrar of International Mutual Funds who is appointed by SIFA is expressly given the mandate to supervise and regulate mutual funds. Three types of mutual funds are provided for under the Act, namely Professional, Private and Public Funds. Every application under the Act or a license must be accompanied by a notice of the address of the applicant's place of business and address for service, name and address of a person resident in Samoa authorised to represent the applicant and accept due process of service, and the address of any place of business that the applicant has outside of Samoa.

### 3.14 Electronic Transactions Act 2008

The Act facilitates the use of electronic transactions which involves alternatives to paper-based methods of communication, storage and authentication of information to conduct business. The Act defines 'electronic' as including electrical, digital, magnetic, optical, electromagnetic, biometric and photonic as well as "electronic record" which is defined as information generated, sent, received or stored by electronic means including electronic data interchange, electronic mail, telegram, telex or telecopy. This Act goes hand in hand with the Authority's aspiration to implementing its online registration system to ensure that it has the capability to offer its services to all clients through electronic means by the use of the internet. The ultimate objective of this Act is to provide easy access, where clients from around the world can transact business with centre at the push of a button.



The benefits of the legislation include:

- ⇒ Allowing the International Companies Registry to maintain its records in electronic form and accept registration of documents online or electronically.
- ⇒ Allowing the private sector i.e. Trustee Companies to maintain their company files and records electronically either at their offices in Samoa or overseas.
- ⇒ Allowing Trustee Companies to minimise costs of courier services from their parent companies in overseas locations using electronic communication means instead.

Overcoming the geographical disadvantage of Samoa and providing a competitive advantage over other competing jurisdictions.



***Parliament House at Mulinuu where all laws are passed***

## 4. ACTIVITIES OF THE AUTHORITY

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

- ⇒ Founding member of the Corporate Registrar's Forum (CRF);
- ⇒ Member of the Offshore Group of Insurance Supervisors (OGIS);
- ⇒ Member of the International Tax Planning Association (ITPA);
- ⇒ Member of the Group of International Finance Centre Supervisors (GIFCS);

The Authority through its different Divisions ensures that it performs its respective functions in the utmost manner not only to efficiently serve its clientele but to keep abreast with developments in the international business arena. On that note, a new Marketing Division was established during the past twelve months in addition to the Registration, Accounts and Administration Divisions of the Authority.

### 4.1 Registration Division

The Registration Division conducts incorporation of the following international products lodged by Trustee Companies.



**Registration Division**

#### 4.1.1 International 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, accompanies

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 International Companies Act 1988 provides as a Schedule standard forms of Memorandum and Articles of

Association which can be adopted with or without variation. There need be only 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.

#### **4.1.2 International trusts**

International trusts may be registered yearly at the payment of a prescribed fee and application in the prescribed form.

#### **4.1.3 Charges**

Charges or Mortgages may be registered by lodging required documents pursuant to the International Companies Act 1988. A charge includes any agreement to give or execute a charge or debentures.

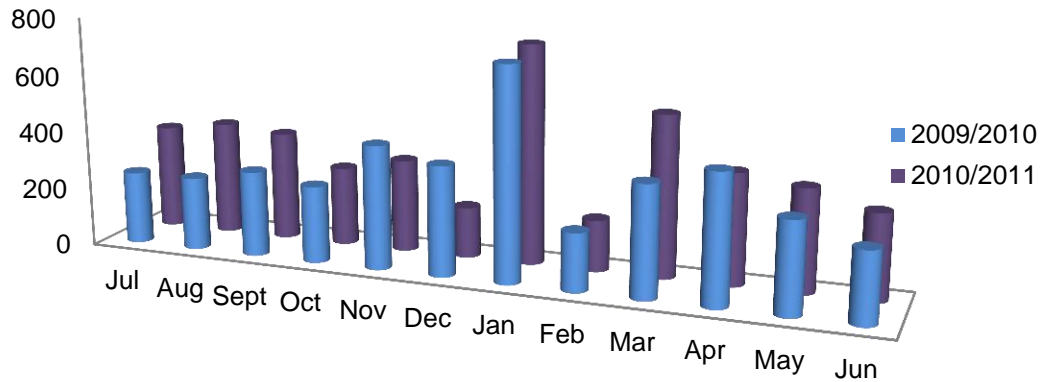
#### **4.1.4 Additional Services**

Other services relating to company filing carried out by the Registration Division include the winding up of companies, issuing of certificates of good standing, name changes, amalgamations, share and capital reductions, issuing shares at a discount and increase amongst others.

The majority of international companies are usually lodged with the Authority for incorporation within months of January and February and therefore the busiest months of the year for incorporation. This is due to the desire of companies to take advantage of a longer life span given the renewal date of registration being the 30<sup>th</sup> of November after the year of incorporation. In this regard, the Registration Team is often besieged with as many as (100) to five hundred (500) companies to be incorporated in a single day.

In the past twelve months four thousand four hundred and twenty one (4,421) international companies were incorporated.

CHART 1 - Monthly Incorps for the Financial Years 2009/2010 – 2010/2011



The Registration Division consists of an ACEO Registration/Legal, Assistant Manager, Legal Officer, Principal Registration Officer, two Senior Registration Officers, and four Junior Registration Officers. There are currently eight (8) Trustee Companies which are also known as service providers or resident agents registered under the Trustee Companies Act, that provide services to non-residents only.

**4.2 Accounts/Compliance Division**

The Accounts Division is responsible for recording and maintaining accurate and



**Accounts/Compliance Division**

complete records of the Authority’s financial transactions and assets. In doing so, effective internal control measures are taken to ensure the efficient managing of monies received and expended by the Authority. All financial transactions are recorded and reported according to the International Financial Reporting Standards (IFRS) to ensure the reliability and credibility of the information in the financial statements.

The external auditor for SIFA is required by law to be advertised for tender every 2 years. The financial accounts are currently been audited by our local Auditors: Lesa ma Penn.

#### 4.2.1 Compliance/Supervision

The Accounts Division is also comprised of a supervision team which assists the Chief Executive Officer in regulating and supervising Trustee Companies, International Banks, Insurances and Mutual Fund Companies and Fund Managers and/or Administrators. Supervision also deals with the registration and renewing of Official Liquidators and Auditors. As of 30 June 2011 the following entities were on the Register.

Licensed Entities	No
International Banks	8
Trustee Companies	8
Private International Mutual Fund Companies	4
International Fund Manager and/or Administrators	4
International Insurance Companies(Managers)	4 (2)
Registered Auditors	14
Registered Liquidators	13

The Authority regularly receives and assesses statutory returns from trustee companies, international banks and insurance companies on their key facets, financial and operational activities which are referred to as offsite supervision.

In support of the Authority's supervisory role for the above entities, on-site visits are also carried out by the supervision team from time to time essentially to confirm the accuracy of their returns received by the Authority and ensuring international standards for effective supervision are being implemented by these entities. During the year under review, the supervision team took part in an Anti-Money Laundering (AML) on-site assessment with the Money Laundering Prevention Authority (MLPA) on all local financial institutions to ensure and evaluate their compliance with AML and Combating Terrorism Financing obligations as prescribed under the Money Laundering Prevention Act 2007. In addition, the Authority conducted its own on-site visit for the offshore industry ensuring it remains vigilant in adhering with all international standards and issues which have direct bearing on international businesses.



Such International Standards includes the 40+ 9 Recommendations promulgated by the Financial Action Task Force, Basel Core Principles on Banking Supervision and the International Association of Insurance Supervisors (IAIS) Insurance Core Principles.

### 4.3 Administration Division

The Administration Division administer staff regulations and manages all staff resources and assets.

#### 4.3.1 Staff Developments

A one (1) week training on customer service for the office was carried out in August 2011. This training provided staff with the opportunity to refresh their skills on customer service to ensure that we provide first class customer service to our clients.



**Administration Division**

areas relevant to the development of SIFA. To this end, two senior staff members were attached to the Singapore Accounting and Corporate Regulatory Authority (ACRA).

#### 4.3.2 Student Work Experience

The Authority continues to provide opportunities for part time work experience for students from local tertiary institutions. This scheme presents students with the opportunity to acquire practical experience within a workforce environment to broaden skills and knowledge achieved during their studies which ultimately assist them with their future careers. Students who excel during their service with the Authority have secured employment with the Office subject to there being a need for additional staff and also provision within the operational budget.

## 4.4 Marketing Division



**Marketing Division**

Doing business in the international arena with 100% of the clientele based overseas has to a great extent placed a unique challenge to the promotion of the Samoa jurisdiction and the Samoa International Finance Authority. Niche marketing with a focus on direct selling through roadshow seminars has been and still remains the most effective promotional strategy for the Samoa International Finance Authority. As such the Authority has over the years built up its awareness campaign on the strength of direct representations to pre-selected audiences. In July 2010, SIFA had for the first time made direct representations to the People's Republic of China.

### 4.4.1 2010 Asia Roadshow Promotion

Upon the request of stakeholders, a high level delegation led by the Samoa Minister of Finance conducted a promotional road show of Samoa's Offshore Centre in the Far East in July 2010. Representations to the top echelons of the professional intermediaries in all the Top Tier cities of China; Beijing, Shanghai, and Hong Kong were made. It was the first time, Samoa has ventured past the gateway of Hong Kong and into mainland China.

With the assistance of China Economic Review and the Offshore Incorporations Limited, the Asia Road show was well received in Hong Kong, Beijing and Shanghai. All presentations were bilingual on print and audio in English and Chinese languages. Much was gauged from the Q & A sessions but in general it pointed to a budding interest in the Samoan jurisdiction as a viable alternative for business to the more established and more costly jurisdictions.

The final leg of the road show in Shanghai also received much applause with the incorporation of a lively performance by the Samoa Tourism Authority Dance Troupe. Subsequently, on the heels of the successful promotional road show, SIFA engaged the China Economic Review in September 2010 to conduct quarterly promotions for Samoa to keep the momentum going in raising awareness of Samoa's existence as a jurisdiction of choice for offshore business.



## 2010 Asia Promotional Visit



#### 4.4.2 2011 Asia Roadshow Promotion

In late January 2011 SIFA's top client the Offshore Incorporations Limited sought SIFA's interest in embarking on yet another joint promotional roadshow. This time it will be into the second tier cities of China. The second tier cities of China has been largely left untapped by the Western world as many are still making their first forays into the mainland through the key cities of Beijing and Shanghai. Thus in early March 2011, SIFA took the unprecedented step into new frontiers to become the first jurisdiction to carry out direct representation to the corporate communities in Ningbo, Fuzhou and Xiamen. As in the days of early pioneers, going into the unknown had its own surprises in regards to transportation logistics and so forth. However, overall this was yet another successful roadshow for SIFA. For the first time the composition of the panel of speakers included one of the front-liners Mr. Morris Tien - CPA for SUNPOWER CPA Firm. Mr. Tien's presentation complimented the other speakers' presentations as it provided the audience with an independent perspective as well as providing scenarios that intermediaries and clients undertake when engaging services for offshore structures.

The road show culminated with an official cocktail function in Hong Kong hosted by OIL and SIFA for OIL's top 100 clients. The 2009-2010 IRB world champions Manu Samoa Sevens performed the famous SIVA TAU much to the excitement of the select audience.



## 2011 Asia Promotional Tour





### 4.4.3 Sponsorship & Community Services

On the home front SIFA contributed favourably to the local community through sports and community welfare initiatives. Governed by the Sponsorship Guideline and the Community Services Guideline, requests were put through a qualifying process to vet proposals and processed according to SIFA's Sponsorship and Community Services Policies.



#### ***Judo World Cup 2010 Opening***

The 2010-2011 sponsorship portfolio included Samoa's elite sports teams and athletes (top 10 international ranking), projects or activities that have a national approach and national outreach as well as events of world-wide status. Of the most prominent was Samoa's hosting of the SIFA 2010 Judo World Cup. SIFA also maintained Naming rights to the Manu Samoa team and the Samoa National Netball team.

Whilst the sponsorship is oriented towards activities that offer SIFA exposure to desired target markets, the community services on the other hand contributed to initiatives that are often overlooked by the corporate community due to their marginal capacity to provide a return on investments due to the nature of their operations. In 2010-2011 SIFA's community services portfolio included mental health, children's ward literacy, youth spiritual health and victims of crime.

## 5. DEVELOPMENTS

### 5.1 Professional Trainings and Seminars

In order to keep abreast of the global programmes and their implications impacting the Authority, Management and Senior Staff members attended various trainings and seminars during the year. Furthermore, staff training is accorded priority given the fast pace with which developments in international standards are occurring within the offshore industry. The following trainings and seminars were attended by key staff during the year:

#### **Professional Trainings and Workshops:**

- ⇒ Offshore Group of Insurance Supervisors (OGIS) Regulator Training in Jersey



- ⇒ New Zealand Companies Office Attachment in Auckland, NZ
- ⇒ Asia Pacific Group on Money Laundering Strategic Implementation Plan Workshop in Wellington, NZ
- ⇒ Commonwealth Secretariat Training on Insurance Regulations and Supervision in Malta
- ⇒ Corporate Treasury Management Workshop in Manila



- ⇒ Attachment with the Accounting Corporate Regulatory Authority (ACRA) in Singapore

### **Seminars and Conferences:**

- ⇒ Organisation for Economic Cooperation and Development Global Forums Peer Review in Bahamas
- ⇒ International Conference of Banking Supervisors in Singapore
- ⇒ International Association of Insurance Supervisors Annual Conference in Dubai
- ⇒ Offshore Group of Banking Supervisors Meeting in London
- ⇒ OGIS Annual Working Meeting in Bermuda
- ⇒ Corporate Registers Forum (CRF) in Singapore

## **5.2 Social Club**

Within this financial year, the Social Club held various social gatherings outside working hours for staff enjoyment. Walkathons were held throughout the year which not only raised funds but provided physical exercise for staff members. Costume days were also a feature of this year's social activities. Another event worth mentioning is SIFA's staff participation in the annual 13 Days of Christmas Programme, a national event hosted by the Congregational Christian Church of Samoa at Vaitele-Uta which features Choirs from all Christian denominations and Workplaces in preparation and celebration of Christmas here in Samoa. The wide range of social activities undoubtedly enhances the morale of each member to work in their utmost for excellent results.





### 5.3 Online Registration System

To compete with other offshore jurisdictions the Authority continues to develop and further strengthen its Online Registration System to facilitate electronic processing of international companies offered to the international investor as firstly introduced in the first phase of this project in 2007. Some of the features of the Online Registration System are: the ability to keep a log of the registered company's history at the click of a finger, for instance the system now keeps track of a company's share capital, par value, shows whether Chinese characters are used for a certain company's name, whether a certificate of good standing has been issued for the concerned company and whether a charge is registered with the concerned company. Other features of the online system include the revamping of the search engine whereby expanded results of words and characters are retrieved when carrying out name searches. It is the belief that having an Online Registration System is more efficient, timely and an accessible system not only for the Companies Registry but more importantly for the client compared to a manual and often labour intensive system. As of to date, the view of having a full paperless registry is nearing completion where Trustee Companies will have the capacity to lodge all incorporation documents online in addition to name checks which are wholly conducted online.



## 6. SAMOA INTERNATIONAL FINANCE AUTHORITY FINANCIAL PERFORMANCE

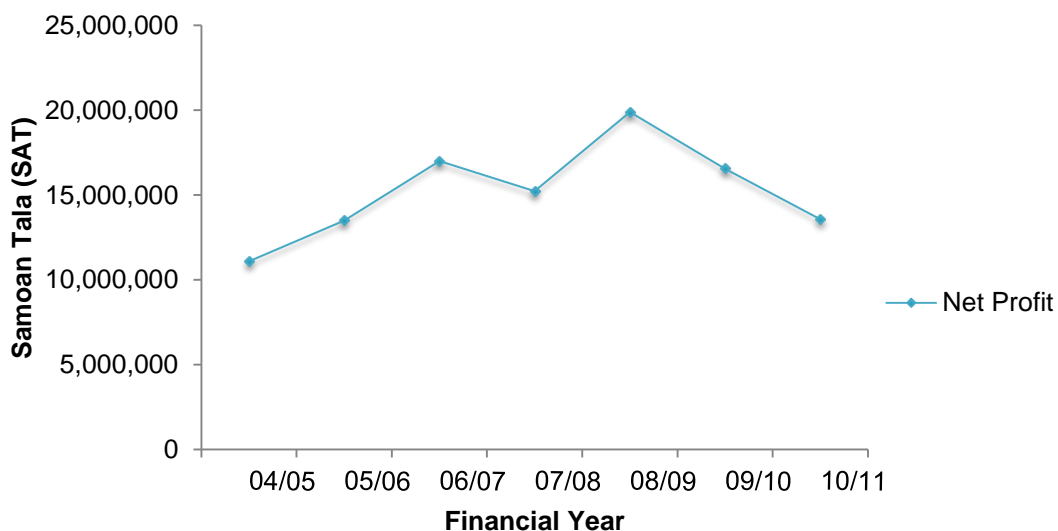
The negative implications of the global financial crisis reflected in the declining value of the USD had adverse impact on the Authority's financial performance for financial year 2010/2011 (FY10/11) as reiterated in the latter Audited Accounts for year ended 30 June 2011.

Audited Accounts Summary:

⇒ At the close of financial year under review, SIFA reported total assets of SAT2.8million, reflecting a 17.9% decrease from the previous financial year. The fall was represented by the decrease in cash and cash equivalents by SAT10.8 million or 25.3% due to a drop in the exchange rates for the US dollar and also the fall in the interest rates on fixed term deposits.

⇒ SIFA achieved a net profit of SAT13.5 million this financial year, a slight decrease of about 17.9% from the previous financial period. The decline in net profit was caused primarily by the weak value of the US dollar as reflected by the decrease in revenue, and the increase in the operating expenses of the Authority. Movement in net profit over the past six financial periods is depicted in the graph below.

CHART 2: Change in the Net Profit over the past six financial periods



# SAMOA INTERNATIONAL FINANCE AUTHORITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE SAMOA INTERNATIONAL FINANCE AUTHORITY**

### Scope

We have audited the financial statements of the Samoa International Finance Authority for the year ended 30 June 2011 as set out on pages 38 to 48. The Authority's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Authority.

Our audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures include examination on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with the International Financial Reporting Standards and the Samoa International Finance Authority Act 2005 so as to present a view which is consistent with our understanding of the Authority's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### **Other relationship**

Lesā ma Penn has no relationship with the Authority.

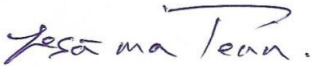
### **Audit Opinion**

In our opinion:

- (a) proper books of account have been kept by the Authority, so far as it appears from our examination of those books, and
- (b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards and the Samoa International Finance Authority Act 2005:
  - (i) are in agreement with the books of account;
  - (ii) to the best of our information and according to the explanations given to us;
    - (a) give a true and fair view of the state of affairs of the Authority as at 30 June 2011 and of the results and cash flows of the Authority for the year ended on that date;
    - (b) give the information required by the Samoa International Finance Authority Act 2005 in the manner so required.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Apia, Samoa  
8<sup>th</sup> December 2011



Lesā ma Penn  
Certified Public Accountants

## STATEMENT OF FINANCIAL POSITION

### As at 30 June 2011

	Note	2011 WS\$	2010 WS\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and equipment	3	7,429,488	7,411,534
Receivables and prepayments	4	1,473,075	1,107,814
Investment	5	1,000,000	-
		<b>9,902,563</b>	<b>8,519,348</b>
<b>Current Assets</b>			
Cash and cash equivalents	6	31,836,929	42,657,263
Receivables and prepayments	4	1,148,372	1,059,094
		<b>32,985,301</b>	<b>43,716,357</b>
<b>Total Assets</b>		<b>42,887,864</b>	<b>52,235,705</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
General Fund		42,257,941	51,681,400
<b>Total Equity</b>		<b>42,257,941</b>	<b>51,681,400</b>
<b>Current Liabilities</b>			
Payables and accruals	7	506,041	469,659
Provisions	8	123,882	84,646
<b>Total Liabilities</b>		<b>629,923</b>	<b>554,305</b>
<b>Total Equity and Liabilities</b>		<b>42,887,864</b>	<b>52,235,705</b>

The relevant notes on pages form part of this statement of financial position.

On behalf of the Board and in accordance with the Board resolution dated 8<sup>th</sup> December 2011.

Chairman of the  
Board of Directors



Director



## INCOME STATEMENT

### For the Year ended 30 June 2011

	Note	2011 WS\$	2010 WS\$
<b>REVENUE</b>			
Incorporation and Annual Fees		17,924,518	18,224,192
License Fees		298,601	416,440
Other Revenue		571,265	584,290
Interest Income		1,219,795	1,743,452
Exchange gain		-	376,097
Gain on sale of fixed asset		-	21,145
		20,014,179	21,365,616
<b>EXPENSES</b>			
Audit fees		6,210	5,980
Depreciation	3	291,805	244,914
Directors fees		40,652	50,727
Communication		50,296	60,954
Management Allowance		139,667	107,977
Printing and stationery		175,887	103,257
Promotions	9	3,182,188	2,548,132
Occupational Costs		444,198	389,354
Staff Costs		1,255,019	947,801
Exchange loss		373,107	-
Loss on sale of fixed asset		12,760	-
Others		465,918	355,635
		6,437,707	4,814,731
<b>Net Income for the year</b>		<b>13,576,472</b>	<b>16,550,885</b>

## STATEMENT OF CHANGES IN EQUITY

### Year ended 30 June 2011

Balance in General Fund at beginning of year	51,681,400	42,862,365
Plus net income for year	13,576,472	16,550,885
Less Payments for the Government of Samoa	(22,999,931)	(7,731,850)
<b>Balance in General Fund at end of year</b>	<b>42,257,941</b>	<b>51,681,400</b>

The relevant notes on pages 41 to 48 form part of the above statements.



## STATEMENT OF CASH FLOWS

### Year ended 30 June 2011

	Note	2011 WS\$	2010 WS\$
<b>CASH FLOWS FROM/ (TO)</b>			
<b>OPERATING ACTIVITIES</b>			
Fees and license revenues		18,794,385	19,601,020
Cash paid to employees		(1,207,980)	(928,983)
Cash paid for rent and maintenance		(355,625)	(246,878)
Cash paid for promotional expenses		(2,719,114)	(2,358,041)
Cash paid for other expenses		(2,341,691)	(1,739,643)
Net advanced deposits		81,966	112,039
<b>Net cash flows from operating activities</b>		<b>12,251,941</b>	<b>14,439,514</b>
<b>CASH FLOWS FROM/ (TO)</b>			
<b>INVESTING ACTIVITIES</b>			
Interest received		1,250,173	2,309,314
Proceeds from sale of fixed assets		1,205	59,145
Acquisition of fixed assets		(323,722)	(422,853)
Investment in UTOS		(1,000,000)	-
Net cash flows from/ (to) investing activities		(72,344)	1,945,606
<b>CASH FLOWS FROM/ (TO)</b>			
<b>FINANCING ACTIVITIES</b>			
Payment to the Government of Samoa		(22,999,931)	(7,731,850)
Net cash flows (to) financing activities		(22,999,931)	(7,731,850)
Net increase/ (decrease) in cash		(10,820,334)	8,653,270
<b>Cash and cash equivalents, beginning of the year</b>		<b>42,657,263</b>	<b>34,003,993</b>
<b>Cash and cash equivalents, end of the year</b>	6	<b>31,836,929</b>	<b>42,657,263</b>

The relevant notes on pages 41 and 48 form part of this Statement of Cash Flows.

## NOTES TO FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Samoa International Finance Authority is established under the Samoa International Finance Act 2005. The address of its main office and principal place of business is at level 6 of the Development Bank of Samoa building. The Authority administers and supervises the registration of companies, trusts and the licensing of banks, insurance and trustee companies under various international financial services legislation.

Prior to the commencement of this Act, the Office was operated as the International and Foreign Companies, attached to the Central Bank of Samoa.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of presentation

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

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

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

All amounts are expressed in Samoa tala.

#### (b) Comparative amounts

To ensure consistency with the current year, comparative figures have been restated where appropriate. Certain presentational changes have been made in the Financial Statements.

#### (c) Foreign currencies translation

Transactions in foreign currencies have been converted to Tala at the rates ruling at the time of the 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 income.

#### (d) Property, plant and equipment

Depreciation is provided on all property, plant and equipment so as to write off the assets over their estimated economic lives. The straight line method of depreciation

has been used. The main categories of property, plant and equipment and their respective economic lives are:

Furniture and Fittings	10 years
Office equipment	5 years
Motor Vehicle	5 years
Leasehold improvements	10 years
Freehold land	not depreciated

#### **(e) Impairment losses**

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

#### **(f) Revenue and expenditure recognition**

Fee income is recognised when due and on a cash basis. Any fees received in advance are deferred and apply to the period they relate to.

Interest income is recognised on an accrual basis using the interest rate applicable.

Expenditures are recognised on the accrual basis when services have been completed.

#### **(g) Employee entitlements**

The provisions for employee entitlements to annual leave and long service leave are accrued at current pay rates in respect of employees services up to the balance date.

#### **(h) Taxation**

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

#### **(i) Receivables**

Receivables including loans to staff are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the receivables are derecognised or impaired. These are included as current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

#### **(j) Financial instruments**

Financial instruments recognised in the statement of financial position include cash balances, receivables and payables. SIFA is not party to any financial instruments with off-balance sheet risk. Financial instruments are measured at fair value.

Assumptions inherent in the calculation of net realisable value include the determination of the credit risk associated with the financial instrument. All carrying values are considered to approximate fair value.

### (k) 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 net surplus in equal instalments over the period of the lease.

### 3. PROPERTY PLANT AND EQUIPMENT

2011

Cost	30-Jun-10	Additions	Disposals	30-Jun-11
Land	6,414,655	-	-	6,414,655
Furniture and fittings	392,409	23,510	(4,782)	411,137
Office equipment	1,108,753	300,212	(327,130)	1,081,835
Motor vehicles	253,000	-	-	253,000
Lease improvements	156,363	-	-	156,363
	<b>8,325,180</b>	<b>323,722</b>	<b>(331,912)</b>	<b>8,316,990</b>

Accumulated depreciation	30-Jun-10	Depreciation	Disposals	30-Jun-11
Land	-	-	-	-
Furniture and fittings	203,595	38,117	(4,725)	236,987
Office equipment	619,314	187,452	(313,224)	493,542
Motor vehicles	43,828	50,600	-	94,428
Lease improvements	46,909	15,636	-	62,545
	<b>913,646</b>	<b>291,805</b>	<b>(317,949)</b>	<b>887,502</b>
<b>Net book value</b>	<b>7,411,534</b>			<b>7,429,488</b>

2010

Cost	30-Jun-09	Additions	Disposals	30-Jun-10
Land	6,414,655	-	-	6,414,655
Furniture and fittings	370,596	21,813	-	392,409
Office equipment	960,713	148,040	-	1,108,753
Motor vehicles	281,831	253,000	(281,831)	253,000
Lease improvements	156,363	-	-	156,363
	<b>8,184,158</b>	<b>422,853</b>	<b>(281,831)</b>	<b>8,325,180</b>



Accumulated depreciation	30-Jun-09	Depreciation	Disposals	30-Jun-10
Land	-	-	-	-
Furniture and fittings	168,382	35,213	-	203,595
Office equipment	456,514	162,800	-	619,314
Motor vehicles	256,392	31,265	(243,829)	43,828
Lease improvements	31,273	15,636	-	46,909
	<b>912,561</b>	<b>244,914</b>	<b>(243,829)</b>	<b>913,646</b>
<b>Net book value</b>	<b>7,271,597</b>			<b>7,411,534</b>

#### 4. RECEIVABLES AND PREPAYMENTS

<b>Non-current</b>	2011	2010
Employee loans - secured	1,473,075	1,107,814
	<u>1,473,075</u>	<u>1,107,814</u>
<b>Current</b>	2011	2010
Employee loans - secured	210,601	147,597
Less provision for doubtful loan	-	-
	<u>210,601</u>	<u>147,597</u>
Trust accounts	-	18,577
Interest receivables	404,071	435,089
Prepaid expenses	533,700	457,831
	<b>1,148,372</b>	<b>1,059,094</b>

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

These loans are expected to mature as follows:

	2011	2010
No later than 3 months	422	1,226
Later than 3 months but no later than 12 months	9,595	7,770
Later than 1 year but no later than 5 years	362,438	333,300
Later than 5 years	1,311,221	913,115
	<b>1,683,676</b>	<b>1,255,411</b>

#### 5. INVESTMENT

	2011	2010
Investment in UTOS	1,000,000	-

SIFA purchased \$1,000,000 worth of units from UTOS at \$1 a unit in April 2011. There are no terms & conditions on this investment. UTOS units were valued at 98 sene per unit as at 30 June 2011. The unit price increased to 99 sene per unit on the 30 September 2011.

## 6. CASH AND EQUIVALENTS

	2011	2010
Cash and bank balances	1,647,660	2,538,886
Fixed deposits	30,189,269	40,118,377
	<b>31,836,929</b>	<b>42,657,263</b>

Cash on hand are not significant and bank balances are held in local commercial banks. Fixed deposits are also with the local commercial banks at terms ranging from 3 to 12 months at interest rates of between 2% and 3.85%pa. These fixed deposits are held in SAT except for a fixed deposit with ANZ held in AUD @ 3.81% for 6 months. Currency risk for this amount is assessed further on page 47.

## 7. PAYABLES AND ACCURALS

	2011	2010
Customers deposits	432,903	350,937
Withholding tax owing to MOR	1,643	-
Trust funds	-	18,577
Accrued expenses	71,495	100,145
	<b>506,041</b>	<b>496,659</b>

Customer deposits are funds deposited by the trustee companies to pay for incorporation/renewal fees of their clients when due.

## 8. PROVISIONS

	2011	2010
Annual leave	69,544	36,108
Board members retirement	54,338	48,538
	<b>123,882</b>	<b>84,646</b>

### Movement in provisions:

	Annual leave	Annual leave
Balance at the beginning of year	36,108	24,218
Paid out during the year	-	-
Utilised during the year	(13,725)	(6,089)
Additional charged to income	47,161	17,979
	<b>69,544</b>	<b>36,108</b>

	Board members retirement	Board members retirement
Balance at the beginning of year	48,538	50,920
Paid out during the year	-	8,000
Additional provision charged	5,800	5,618
	<b>54,338</b>	<b>48,538</b>

## 9. PROMOTIONS

	2011	2010
Promotions – other	2,653,255	2,161,400
Seminars and conferences	434,002	306,952
Members	94,931	79,780
	<b>3,182,188</b>	<b>2,548,132</b>

## 10. CAPITAL COMMITMENTS

	2011	2010
Commitment to Government of Samoa	22,999,931	13,000,000

Total contribution of \$22,999,931 was committed to Government for the current financial 2010/2011 year under section 18 of the Samoa International Finance Act 2005. This was paid during the year. The commitment for the 2011/2012 year is \$10,000,000.

## 11. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liability at balance date. (2009/2010:\$nil)

## 12. LEASE COMMITMENTS

The Samoa International Finance Authority is leasing office space from the Development Bank of Samoa at a monthly rental of \$17,534.16 for an initial period of five years, with an option of renewal after that date. The Authority also leases space at the Central Bank Building for storage, plus the recent lease of the Central Bank's Vault effective in July 2008 at a total revised monthly rental of \$1,468.15 for a period of three years, with an option of renewal after that date.

Operating lease payable is as follows:	2011	2010
Not later than 1 year	228,028	229,190
Later than 1 year but not later than 5 years	-	210,410
Later than 5 years	-	-
	<b>228,028</b>	<b>439,600</b>

## 13. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation of key management personnel:	2011	2010
Remuneration including allowances	600,706	541,183
Directors fees and allowances	40,652	50,727

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

## 14. FINANCIAL INSTRUMENTS

### (a) Credit risk

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

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

Maximum exposure to credit risk at balance date are:	2011	2010
Bank balances	31,836,929	42,657,263
Interest accrued	404,071	435,089
Staff loans	1,683,676	1,255,411

### (b) Currency risk

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

At balance date SIFA has the following exposure to the **US** dollar:

Financial assets:	2011	2010
Cash and cash equivalents	1,284,342	2,330,467
Financial liabilities:		
Payables – customer deposits	(432,903)	(350,937)
<b>Net exposure</b>	<b>851,439</b>	<b>1,979,530</b>

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

	Higher/ (Lower)
WS\$/USD + 5%	(42,572)
WS\$/USD – 5%	42,572

Judgements of reasonably possibly movements to profits



At balance date SIFA has the following exposure to the **Australian** dollar:

Financial assets:	2011	2010
Cash and cash equivalents	2,165,848	-
Financial liabilities:		
Payables – customer deposits	-	-
<b>Net exposure</b>	<b>2,165,848</b>	<b>-</b>

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

Judgements of reasonably possible movements to profits

	Higher/ (Lower)
WS\$/AUD + 4%	(86,634)
WS\$/AUD – 4%	86,634

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

### (c) Interest rate risk

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

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

## 15. APPROVABLE OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorised for issue on 08 December 2011.