



ANNUAL REPORT 2016 | 11TH EDITION

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Government of Samoa
OFFICE OF THE MINISTER OF FINANCE

20 February 2017

The Honourable Speaker
Legislative Assembly of Samoa

Pursuant to section 20(5) of the *Samoa International Finance Authority Act 2005*, I have the honour to submit the report of the Samoa International Finance Authority on its operations for the twelve months that ended on the 30th June 2016, together with the audited accounts for that period and the report of the Auditor on those accounts.

A handwritten signature in black ink on a light green background.

Hon. Sili Salā Epa Tuioti
MINISTER OF FINANCE



Samoa International Finance Authority

Please address correspondence to
THE CHIEF EXECUTIVE OFFICER

17 February 2017

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

Dear Honourable Minister

I have the honour of submitting the Annual Report of the Samoa International Finance Authority as required by the *Samoa International Finance Authority Act 2005* for the financial year 1 July 2015 to 30 June 2016.

The report comprises:

- (a) a report on the Authority's operations during the twelve (12) months ending on 30 June 2016; and
- (b) the Authority's audited accounts for the twelve (12) months ending June 2016 together with the auditor's report.

Yours faithfully

Tootooleaava Dr. Fanaafi Aiono-Le Tagaloa
CHIEF EXECUTIVE OFFICER

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Chairperson's Statement



As Chairperson of the Board of Directors of the Samoa International Finance Authority (SIFA), I am pleased to present the Annual Report for the Authority for the financial year 2015/2016.

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

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

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

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

The net result of its operations for the year in review is a profit of \$19 million, an increase of about \$1 million from the previous year. I congratulate the Chief Executive Officer, Management and Staff for the hard work.

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

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



Tuatāgaloa Alfred Schwalger

CHAIRPERSON SIFA BOARD OF DIRECTORS

Chief Executive Officer's Statement



The 2015/2016 financial year, amid many challenges the Samoa International Finance Authority (SIFA) continued to make inroads in relation to its statutory functions plus the usual day to day service of the financial community and the people of Samoa. The most significant challenge SIFA faced this year was the passing of SIFA's trail blazing, pioneer CEO, Alosamoa Erna Vaai-Aiono who served the international finance industry both locally and abroad for almost three (3) decades. I pay tribute to, and honour Alosamoa's legacy.

SIFA's major sponsorship continued for the Samoa Rugby Union – Manu Samoa 7s, Samoa Netball Association and many other sporting codes including support for the All Blacks-Manu Samoa historic Apia Park match in July 2015 and the Commonwealth Youth Games in September 2015 hosted by Samoa.

On the legislative front, the SIFA Distance Learning Course on international estate planning and structuring was repeated in February and May 2016, to build the knowledge and capacity of local professionals on how to fully utilise new and existing legislative-based solutions.

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

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

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

The slow recovery worldwide from the economic recession did not mean SIFA did not perform well; shown in its net profit of \$19 million for this financial year.

We therefore continue to give God the glory for all the blessings and success SIFA has experienced over these past twelve (12) months, and we thank and honour Him and ask that His face continue to shine upon us as we continue the work established by our late leader- Afioga Alosamoa Erna Vaai-Aiono.

Soifua ma ia manuia,

A handwritten signature in blue ink that reads "Fanaafi'". The signature is written in a cursive style and is set against a light green rectangular background.

Tootooleaava Dr. Fanaafi Aiono-Le Tagaloo
CHIEF EXECUTIVE OFFICER

1. Management and functions of the Samoa International Finance Authority

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

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

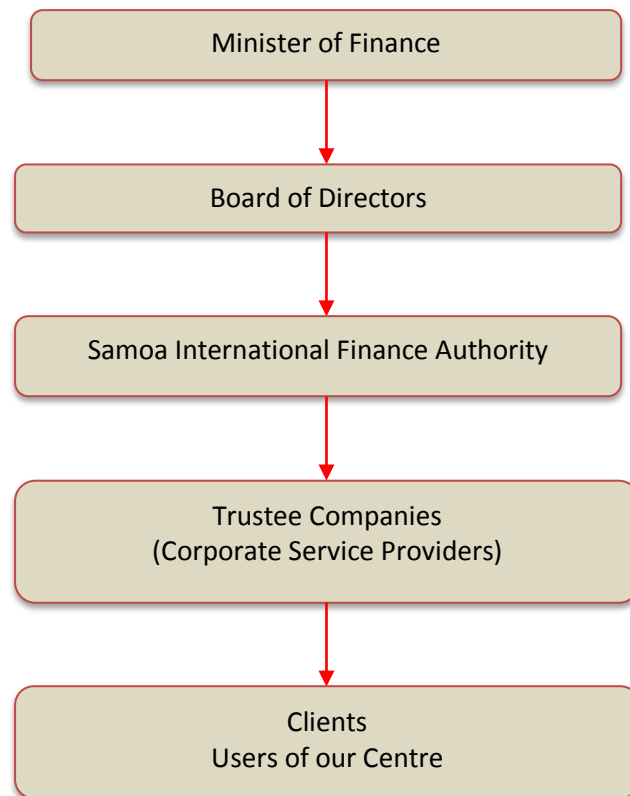
The functions referred to below broadly represent the varying functions performed on a daily basis and the diverse nature of SIFA operations. On the one hand SIFA performs a regulatory and supervisory function where the ultimate objective is to protect and uphold the reputation and integrity of our Centre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

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 be made by the Head of State.

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



2. Structure of the Samoa International Finance Authority

2.1 Board of Directors



CHAIRPERSON
Tuatagaloa Alfred Schwalger



ATTORNEY GENERAL
Lemalu Hermann Paul Retzlaff



GOVERNOR-Central Bank of Samoa
Maiava Atalina Ainuu-Enari



CEO – MINISTRY OF FINANCE
Tupa'imatuna Iulai Lavea



PRIVATE SECTOR
Leafa Donald Kerslake



PRIVATE SECTOR
Reverend Misiifa Tyrell

2.2 Management

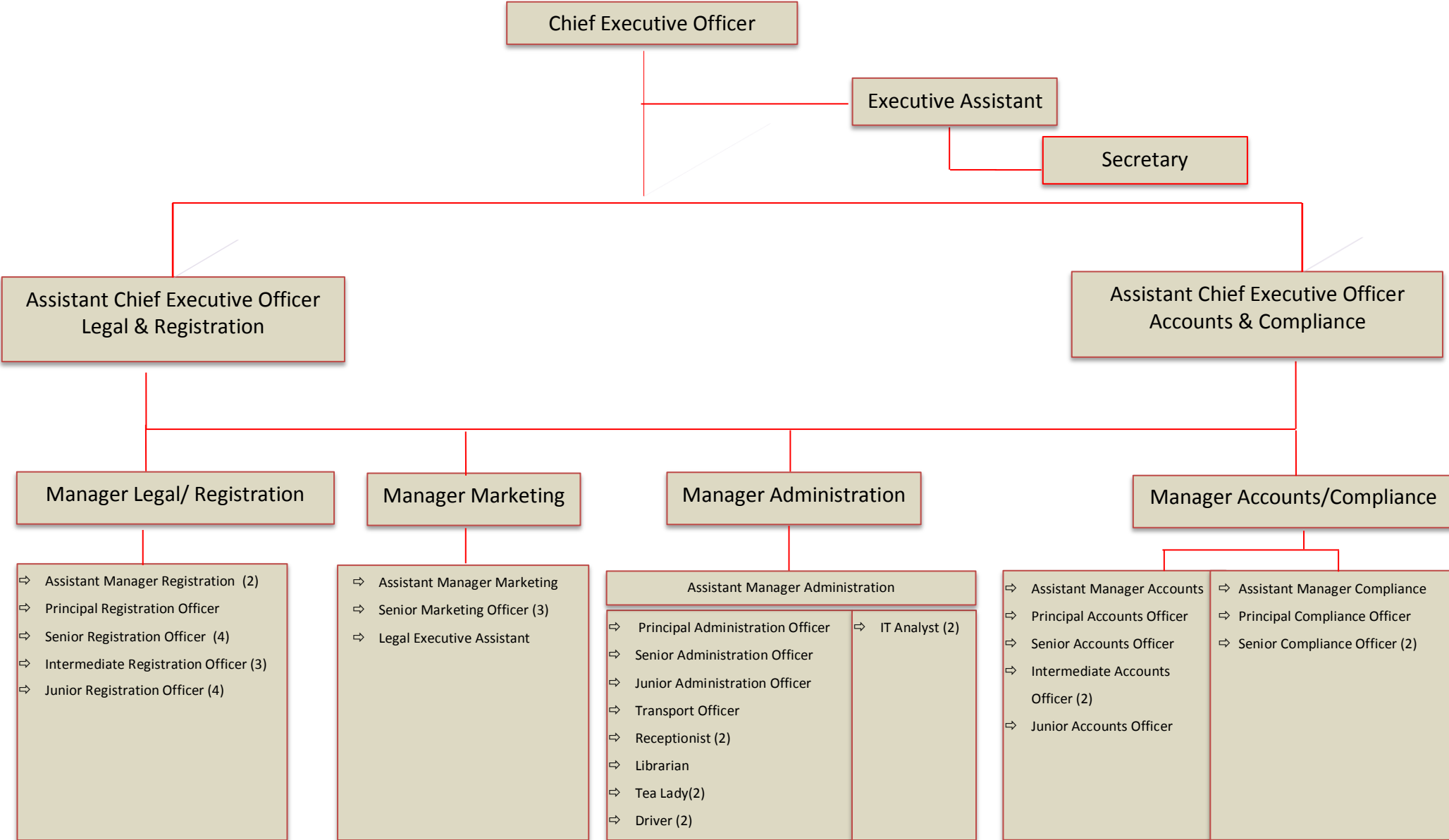


Standing (L-R): Cheshire Malua – ACEO Accounts/Compliance, Kolisi Simamao – Asst. Manager Accounts/Compliance, Kalala Mataia – Asst. Manager Registration, Koroseta Lesatele – Asst. Manager Administration

Sitting (L-R): Agnes Kerslake – Former Manager Marketing, Moana Ah Poe- Manager Administration, The late Alosamoa Erna Va'ai-Aiono – CEO, Sieni Voorwinden – ACEO Registration/Legal, Ala Meleisea – Manager Accounts/Compliance

Absent: Tootoooleaava Dr. Fanaafi Aiono-Le Tagaloa – Chief Executive Officer; Ngaire Ioane-Ah Ching – Asst. Manager Accounts; Ramona Rimoni-Jahnke – Asst. Manager Registration; Tapuitema Lafaialii-Petaia – Manager Marketing

2.3 Organisational Structure



2.4 Staff Members



3. Governing Legislation of SIFA

The Samoa International Finance Authority (SIFA) was established by the *Samoa International Finance Authority Act 2005* (SIFA Act) and administers the following legislation. 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 diversify its product base and broaden the range of corporate vehicles already available.

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

4. Activities of the Authority

To ensure that its activities are in line not only with 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 Registers Forum (CRF);
- ⇒ Member of the Group of International Insurance Centre Supervisors (GIICS);
- ⇒ Member of the International Tax Planning Association (ITPA);
- ⇒ Member of the Group of International Finance Centre Supervisors (GIFCS);

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.

4.1 Registration Division

The registration team is an integral part of the Authority's operations and performs some of its key functions through the provision of registration services for international companies and other vehicles such as trusts, segregated and mutual funds, the special purpose international company and others. In addition the Registration team is responsible for maintaining up to day records of all entities registered and licensed by the Authority thus ensuring the accuracy of all registers kept by the Authority.



Registration Division

The application process for incorporation of an entity is made to the Registrar of Foreign and International Companies through a licensed trustee company. The incorporation fee is USD\$300 to be lodged together with the company's Memorandum and Articles of Association and the Notice of

situation of registered office. It is relatively simple to incorporate an international company with minimal filing requirements and which usually takes no more than a day. Fees for Trusts and other corporate entities are in accordance with the set fee schedule in the legislations governing the formation of these entities.

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

The months of January and February are peak periods and the Registration Division is often faced with as many as one hundred (100) to two hundred (200) incorporations of new international companies in a single day. The total number of international companies registered with SIFA for this financial year is four thousand eight hundred and twenty nine (4,829). Live international companies registered with the Authority as at June 2016 totalled 37, 523.

The total gross number of international companies registered with the Authority since inception is 74, 751.

There are currently ten (10) licensed trustee companies in Samoa working with the Authority.

The demanding pace and high standards expected from our clients has the Registration team constantly striving to deliver a professional service that is world class and in accordance with international standards of best practice.

4.2 Accounts/Compliance Division

4.2.1 Accounts

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



Accounts/Compliance Division

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

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

Our audit for the financial year 2015-2016 commenced on 1st August 2016 and was completed and signed on the 31st October 2016.

It has indeed been another successful year for the Accounts Section. We are grateful for the support of our CEO, Management and Staff.

4.2.2 Compliance

The Compliance Section is required under the *Samoa International Finance Act 2005* to supervise licensed entities under the various international financial services legislation such as; trustee companies, international banks, international insurance and the international mutual fund companies. This is in line with one of SIFA's functions which is to monitor and supervise the conduct of international financial services provided by Samoa.

The Compliance Team comprising of eight (8) staff members ensures that all the licensed international financial institutions operating in and from within Samoa comply with the relevant laws and the international regulatory standards by providing supervisory oversight through on-site visits and off-site reviews of statutory financial information and reports filed by the licensed entities.

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

The Compliance Team carried out one (1) on-site visit during this financial year which mainly focused on International Banks. They also participated in international surveys and questionnaires as well as attending overseas meetings and seminars.

As of June 2016, the international financial institutions licensed and registered with SIFA are as follows:

Licensed Entities	No
Trustee Companies	10
International Banks	6
International Insurance Companies	4
International Fund Manager and Administrator	4
Private International Mutual Fund Companies	5
International Insurance Managers	2
Auditors	15
Liquidators	14

4.3 Administration Division

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



Administration Division

4.3.1 Staff Developments, Work experience/Part Time

During this financial year 2015-2016, there were four (4) new additions to the overall number of staff, which included a Tea Lady/Cleaner, Junior Accounts Officer, Librarian and a Junior Registration Officer. The junior registration officer is a NUS student whom the office took on board for work experience in November 2015 prior to her recruitment as a permanent staff member in February 2016. There were three staff members who resigned during this financial year to attend different Theological Colleges in Samoa. Our beloved CEO, Alosamoa Erna Va'ai-Aiono passed away peacefully in February 2016.

There were five (5) staff members who were promoted during this financial year with four at the Registration Division and one within the Marketing Division. The Assistant Manager Marketing was promoted to the Manager of Marketing.

The Authority continues to take two students from the National University of Samoa as part timers to assist the Registration Division with the renewal of international companies during its busy period from November 2015-January 2016.

4.4 Marketing Division



Marketing Division

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

On the promotional front, SIFA continued the implementation of its Marketing Plan with specific focus on soft marketing, one on one meetings in selected jurisdictions and conferences as well as capacity building under the leadership of its consultant drafter Mr. Mark Lea of Lea and White International Advisors. Capacity building in terms of training for Professional Service Providers namely trustee companies, lawyers, accountants and SIFA senior staff through the continuation of the SIFA Training Course on International Estate Planning and Structuring taught by Mr. Mark Lea. The training is divided into three (3) Phases with the ultimate aim of providing local professionals with case studies on international estate planning and structuring solutions available under Samoa's *Trust Act 2014*.

As part of its core function to have the most up to date and competitive wealth management solutions and business structures, Samoa tabled the *Foundations Bill 2016* which will see the provision of Foundations which is a civil law solution as an addition to Samoa's vehicles for wealth management and international estate planning. The passage of the *Foundations Bill* will no doubt steer Samoa's ship to the fore of international financial services.

SIFA representatives and Mr Mark Lea participated at the STEP Conference in Singapore in October 2015 and subsequently at the Singapore Trust Association Annual Conference in the same month.

The team also attended the Marcus Evans Conference in Dubai in November 2015 as part of Samoa's efforts to take its promotional work to the Middle East.

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

The sponsorship portfolio for this financial year included Samoa's elite sports teams and athletes (top 10 international ranking), projects or activities that have a national impact and national reach as well as events of world-wide status. SIFA also maintained Naming rights to the Manu Samoa Sevens team, the Toa Samoa Rugby League team and the Samoa National Netball team. Of significance, Samoa successfully hosted the All Blacks team in Apia on the 7th July 2015 and this was made possible through SIFA's substantial financial contribution.

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 investment due to the nature of their operations. For this financial year, SIFA's community services portfolio included mental health, children's ward literacy, rehabilitation of deportees, youth spiritual health and victims of crime.

5. Developments

5.1 Professional Trainings, Workshops, Seminars and Conferences

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

Trainings and Workshops

- ⇒ Group of International Insurance Centre Supervisors (GIICS) Training Seminar in the Cayman Islands – October 2015
- ⇒ Overview Course of Financial Sector Issues in Washington, USA – May 2016

Seminars and Conferences

- ⇒ Asia Pacific Group (APG) Annual Meeting in Auckland, New Zealand – July 2015
- ⇒ Pacific Caribbean Conference in Miami, USA – August 2015
- ⇒ Global Forum Peer Review Group (PRG) Meeting in Paris, France – September 2015
- ⇒ Private Wealth Management (PWM) Greater China Summit in Hong Kong – September 2015
- ⇒ OECD Global Forum in Barbados – October 2015
- ⇒ Group of International Finance Centre Supervisors (GIFCS) Plenary Meeting in Macao-SAR China – November 2015
- ⇒ International Association of Insurance Supervisors (IAIS) Annual Conference in Marrakech, Morocco – November 2015
- ⇒ STEP Asia Conference in Singapore – November 2015
- ⇒ Marcus Evans Dubai Promotional Conferences – November 2015
- ⇒ 22nd Meeting of the Peer Review Group in Paris, France – February 2016
- ⇒ OECD Global Forum on Transparency and Exchange of Information for Tax Purposes Asia/Pacific AEOI Implementation Seminar in Canberra, Australia – February 2016
- ⇒ Corporate Registers Forum (CRF) Technical Workshop in Singapore – March 2016
- ⇒ Exchange of Information on Request (EOIR) Training Seminar in Singapore – April 2016
- ⇒ Group of International Finance Centre Supervisors Plenary Meeting in London, United Kingdom – April 2016
- ⇒ Joint Conference for European Commerce Registers Forum and Corporate Registers Forum in Cardiff, Wales – May 2016
- ⇒ 2016 China Offshore Summit in Shenzhen, China – May 2016
- ⇒ Group of International Insurance Centre Supervisors (GIICS) Annual General Meeting in London, United Kingdom – June 2016
- ⇒ Financial Stability Institute (FSI) Seminar on applied risk management-credit risk and asset securitisation in Beatenberg, Switzerland – June 2016

⇒ 23rd Meeting of the Peer Review Group on Transparency and Exchange of Information for Tax Purposes in Oslo, Norway – June 2016

5.2 Online Registration System

SIFA responded pro-actively to the industry's demand for greater online security brought about by the Mossack Fonseca security breach in early 2016. SIFA upgraded its online system to use stronger security than most banks. Specifically, the system now uses Transport Layer Security version 1.2 with Modern Cryptography, a Secure Key Exchange, and Two-Way Authentication (most banks only use one way).

SIFA's systems are now protected from sophisticated eavesdropping, man in the middle, impersonation, and compromised key attacks. These protections successfully went online 11 June 2016.

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

5.3 Social Club

Over the past years SIFA has always been supportive of the Social club which involves all staff members in encouraging us to be involved in initiating activities for all staff members. The Social club committee has been responsible for organising fundraising through sausage sizzles/barbeques as well as sports activities in the form of walkathons, volleyball and touch rugby. In an endeavour to generate extra revenue for the club on a monthly basis, social activities are carried out for everyone's enjoyment. It is an important time for staff to relax and enjoy the outdoors in the promotion of healthy living.

6. Samoa International Finance Authority Financial Performance

Audited Accounts Summary:

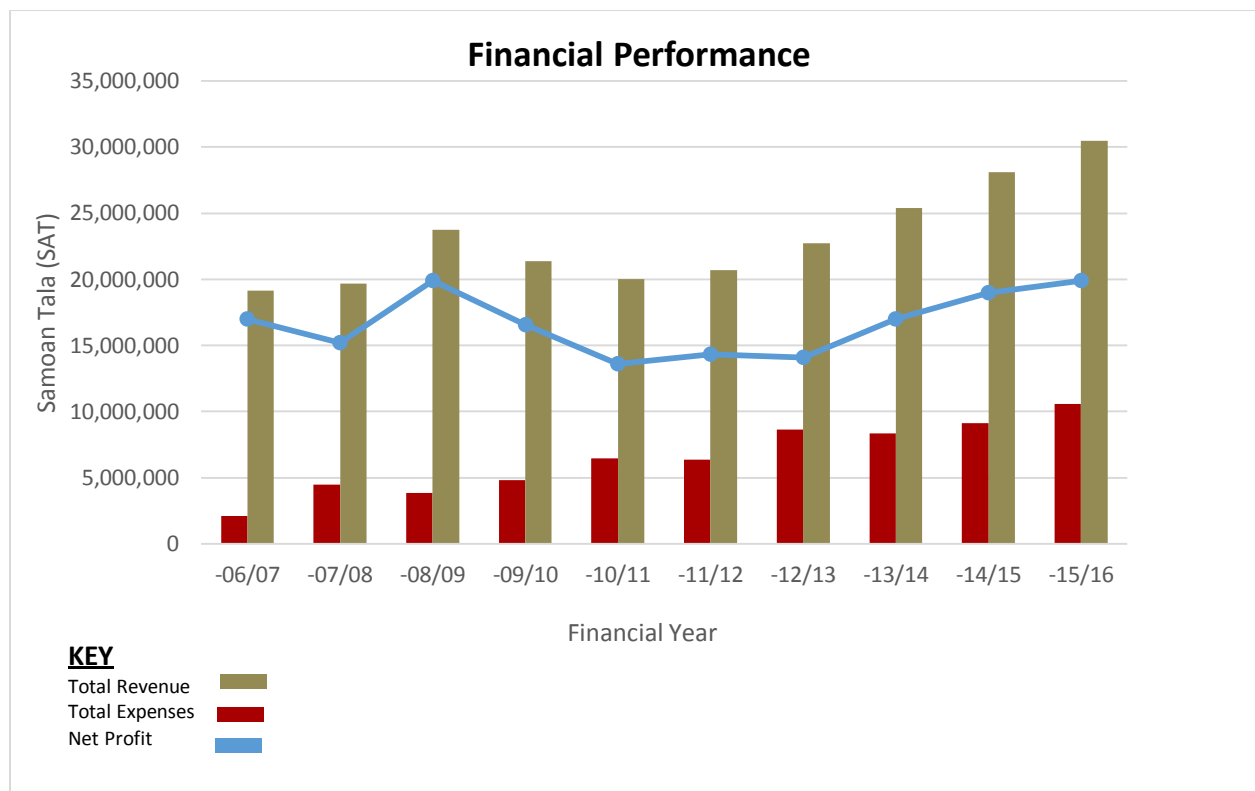
Financial position:

The Authority recorded an increase of approximately 12 percent in total assets from SAT63.9 million in the prior year to SAT71.6 million this financial year. These assets are mainly cash and term investments representing 80 percent of total assets.

Financial Performance:

The Authority recorded an increase of 8.4 per cent in Total Revenue of \$30.4 million compared to \$28.0 million recorded in the prior year. Such increase is the result of the increase in the level of government fees collected during the year and the favourable interests earned on term investments. Total operating expenses also showed an increase approximately 15.5 per cent from \$9.1 million expended in the prior year to \$10.5 million recorded in the current financial year. Notwithstanding the high level of expenditure recorded for this year, the Authority is pleased to report an increase of 5.0 per cent in Net Profit of SAT19.9 million compared to SAT18.9 million recorded in the prior year.

CHART 1:



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**Samoa International Finance Authority
Directors Report
For the Year Ended 30 June 2016**

The Directors present their report together with the financial statements of Samoa International Finance Authority (“the Authority”) for the year ended 30 June 2016 as set out on the accompanying pages and the auditors' report thereon in accordance with the *Public Finance Management Act 2001* and the *Public Bodies and Accountability Act 2001* and the *Samoa International Finance Authority Act 2005* (SIFA Act).

Directors

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

Tuatagaloa Alfred Schwalger (Board Chairman)	Leafa Donald Kerslake
Lemalu Hermann Paul Retzlaff	Maiava Atalina Ainuu-Enari
Tupa’imatuna Iulai Lavea	Reverend Afa Tyrell

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

Principal Activity

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

State of Affairs

In the opinion of the directors:

- (i) the accompanying Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows are drawn up so as to give a true and fair view of the operations and results of the Authority for the year ended 30 June 2016;
- (ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 30 June 2016.

Operating Results

The net profit for the year is \$19,905,450 tala (2015: net profit \$18,957,209 tala).

General Fund

During the year the Directors approved a payment of \$15,000,000 (2015: \$11,000,000) from the General Fund to the Government for the year to 30 June 2016 in accordance with the SIFA Act.

Dividends

For the 2016/2017 financial year, the directors shall pay into the Government Treasury Fund such amount, if any, as shall be determined by the Minister acting on the advice of the Authority.

Dated at Apia, this 28th day of October, 2016.

Signed in accordance with a resolution of the Directors.


Tuatagaloa Alfred Schwalger
CHAIRMAN

**Samoa International Finance Authority
Management Responsibility Statement
For the Year Ended 30 June 2016**

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

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

The Board of Directors oversees management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the board of directors on recommendation from management.

Our independent auditors (Betham & Co.), having been appointed by the Auditor General and Controller of the Independent State of Samoa, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.



Cheshire Malua

ACTING CHIEF EXECUTIVE OFFICER

Dated: 28th October 2016

**Independent Auditors Report
To the Controller and Auditor General
on Samoa International Finance Authority**

We have audited the accompanying financial report of the Samoa International Finance Authority, which comprises the statement of financial position as at 30 June 2016, the statements of financial performance, cash flows and changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

The Responsibility of the Board of Directors for the Financial Report

The Board of Directors are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified Audit Opinion

In our opinion, the financial report of the Samoa International Finance Authority is in accordance with the *Samoa International Finance Authority Act 2005*, including:

- a) giving a true and fair view of the financial position of the Samoa International Finance Authority as at 30 June 2016, and of its financial performance, cash flows and changes in equity for the year ended on that date; and
- b) complying with International Financial Reporting Standards.

Betham & Co

BETHAM & CO.
Chartered Accountants

Apia October 31, 2016
Dated



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



P.O. Box 13
APIA, SAMOA

Please address all correspondence to:
Controller and Chief Auditor

Audit Office

REPORT OF THE AUDIT OFFICE

SAMOA INTERNATIONAL FINANCE AUTHORITY

We have audited the accompanying Financial Report of the Samoa International Finance Authority, which comprises the statement of financial position as at 30 June 2016, the Statements of Financial Performance, Cash Flows and Changes in Equity for the year then ended, a summary of significant accounting policies and other explanatory notes. The Accounting Firm of Betham & Co, Chartered Accountants and Business Advisors, assisted in this audit.

Responsibility for the Financial Report

The Board of Directors is responsible for the preparation and fair presentation of the Financial Report in accordance with International Financial Reporting Standards. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Financial Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified Audit Opinion

In our opinion, the Financial Report of the Samoa International Finance Authority is in accordance with the *Samoa International Finance Authority Act 2005*, including:

1. Giving a true and fair view of the financial position of the Samoa International Finance Authority as at 30 June 2016, and of its financial performance, cash flows for the year ended; and
2. Complying with International Financial Reporting Standards.

Apia, Samoa
31 October 2016

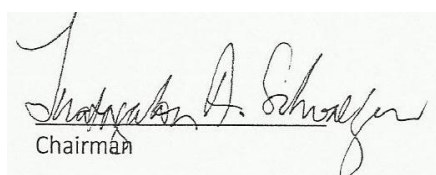

Fuaimaono Papali'i C.G. Afele
CONTROLLER AND AUDITOR-GENERAL

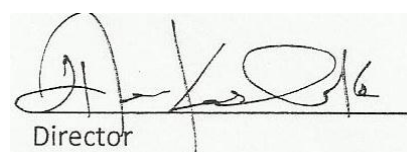
**SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 WS\$	2015 WS\$
ASSETS			
Non-current assets			
Property plant and equipment	4	9,637,735	7,095,978
Intangible Assets	5	334,301	130,390
Receivables and prepayments	6	2,883,190	3,988,816
Investments	7	14,370,000	9,590,000
		27,225,226	20,805,184
Current assets			
Cash and cash equivalents	8	43,032,643	41,927,833
Receivables and prepayments	6	1,393,412	1,264,079
		44,426,055	43,191,912
TOTAL ASSETS		71,651,281	63,997,096
EQUITY AND LIABILITIES			
Equity			
General Fund		67,550,315	62,644,865
Asset Revaluation Surplus	4	2,441,500	-
Total Equity		69,991,815	62,644,865
Current Liabilities			
Payables and accruals	9	1,542,782	1,277,060
Provisions	10	116,684	75,171
Total liabilities		1,659,466	1,352,231
TOTAL EQUITY AND LIABILITIES		71,651,281	63,997,096

The accompanying notes form an integral part of the above financial statement.

On behalf of the Board and in accordance with the Board resolution dated 28th October 2016.


Chairman


Director

SAMOA INTERNATIONAL FINANCE AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 WS\$	2015 WS\$
INCOME			
Incorporation and annual fees		26,945,771	23,702,561
License fees		308,579	316,145
Other income and gains		1,473,645	1,060,026
Interest Income		1,588,545	2,231,299
		30,316,540	27,310,031
EXPENSES			
Audit fees		20,114	23,916
Depreciation Costs	4	225,541	228,418
Amortisation Costs	5	47,085	32,041
Communication		101,043	79,139
Directors Fees		79,502	20,075
Printing and stationery		170,611	171,809
Promotions	11	6,579,532	5,011,919
Occupational Costs		403,950	553,584
Staff Costs		2,003,275	1,838,519
Others		929,111	1,182,675
		10,559,764	9,142,095
Other Gains/(Losses)			
Unrealised Gain/(Loss)		(220,000)	140,000
Exchange Gain/(Loss)		368,674	649,273
Total Other Gains/(Losses)		148,674	789,273
Net profit for the year		19,905,450	18,957,209
Other Comprehensive Income			
Gain on Asset Revaluation	4	2,441,500	-
Total Other Comprehensive Income		2,441,500	-
Total Net Comprehensive Income		22,346,950	18,957,209

The accompanying notes form an integral part of the above financial statement.

**SAMOA INTERNAL FINANCE AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 2016**

	Note	2016 WS\$	2015 WS\$
Balance in General Fund at beginning of year		62,644,865	54,687,656
Add:			
Net profit for year		19,905,450	18,957,209
Asset Revaluation Surplus		2,441,500	-
Less Payments to the Government of Samoa	12	(15,000,000)	(11,000,000)
Balance in General Fund at end of year		69,991,815	62,644,865

The accompanying notes form an integral part of the above financial statement.

**SAMOA INETRATIONAL FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 WS \$	2015 WS \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees and license revenues		28,024,645	24,711,606
Cash paid to employees		(1,957,467)	(1,716,390)
Cash paid for rent and maintenance		(287,957)	(312,999)
Cash paid for promotional expenses		(6,206,458)	(4,498,760)
Cash paid for other expenses		(878,811)	(4,812,323)
Net advanced deposits		458,714	141,739
Net cash generated from Operating activities		19,152,666	13,512,873
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,543,191	2,260,898
Trust Funds Investment		-	410,633
Gain on Sale of Fixed Asset		4,314	57,126
Acquisition of fixed assets		(583,073)	(606,894)
Investment in UTOS		(5,000,000)	(6,000,000)
Dividend and interest income from UTOS investment		619,038	300,000
Net cash generated from Investing activities		(3,416,530)	(3,578,237)

**CASH FLOWS FROM FINANCING
ACTIVITIES**

Payment to the Government of Samoa		(15,000,000)	(11,000,000)
Net cash generated from Financing activities		(15,000,000)	(11,000,000)
<hr/>			
Net Increase / Decrease in Cash		736,136	(1,065,364)
<hr/>			
Cash and cash equivalent as at beginning of year		41,927,833	42,343,924
Plus: Effect of Exchange Differences		368,674	649,273
Cash and Cash Equivalents at end of year	8	43,032,643	41,927,833

The accompanying notes form an integral part of the above financial statement.

SAMOA INTERNATIONAL FINANCE AUTHORITY**NOTES TO FINANCIAL STATEMENTS****30 JUNE 2016****1. GENERAL INFORMATION**

The Samoa International Finance Authority (the "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, mutual funds and trustee companies under various international financial services legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of presentation**

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

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

Set out below is a summary of the significant accounting policies adopted by 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 Samoan tala which is also the Authority's functional currency.

(b) Comparative amounts

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

(c) Foreign currency translation

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

(d) Property, Plant and Equipment

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

Furniture and Fittings	10 years
Office Equipment	5 years
Motor Vehicle	5 years
Leasehold improvements	10 years
Land	not depreciated

(e) Intangible Assets

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

(f) Cash and cash equivalents

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

(g) Impairment losses

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

(h) Revenue recognition

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

The Authority's revenue comprises of incorporation, annual and licensing fees. Revenue from performance of these services is recognised in the accounting period in which the incorporation documents are issued and annual are charged and licensing fees received. Payments of fees in advance are deferred in the balance sheet and recognised in the period to which they apply.

(i) 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.

(j) Taxation

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

(k) Interest income

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

(l) Financial assets

The Authority classifies its financial assets as loans and receivables and at fair value through profit and loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

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

(m) Leases

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

3. Information about key sources of estimation uncertainty and judgements

3.1 Critical accounting estimates and assumptions

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions – doubtful debts and employee benefits

Provisions are measured at the value management best estimates an expenditure to be incurred at, to settle a present obligation at balance date. Market situations are often used to estimate provisions. Changes in market situations will create a difference between provisions with the recorded figures. Whilst the fact remains that uncertain issues such as bad debts exist, management as a benchmark makes adequate provisions

based on past record and the foreseeable future. The provisions are aligned once the final outcome is known at balance date.

(b) Depreciation

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

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

3.2 Critical judgements in applying the entity's accounting policy

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

4. Property, plant and equipment

2016

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

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

Net book value	7,095,978	9,637,735
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2015

Cost	30-Jun-14	Additions	Disposals	30-Jun-15
Land	6,414,655	-	-	6,414,655
Building – Work in Progress		58,500	(58,500)	-
Furniture and fittings	448,396	30,660	-	479,056
Office equipment	1,345,154	182,629	(537,675)	990,108
Motor vehicles	253,000	262,000	(153,500)	361,500
Lease improvements	156,363	-	-	156,363
	8,617,568	533,789	(749,675)	8,401,682

Accumulated depreciation	30-Jun-14	Depreciation	Disposals	30-Jun-15
Furniture and fittings	346,495	22,857	-	369,352
Office equipment	976,045	142,400	(447,435)	671,010
Motor vehicles	246,228	47,525	(153,500)	140,253
Lease improvements	109,453	15,636	-	125,089
	1,678,221	228,418	(600,935)	1,305,704

Net book value	6,939,347			7,095,978
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*The Authority engaged Elon Betham & Associates Ltd, a Licensed Public Valuer, to determine the market value of its land property located at Sogi. The date of the revaluation was the 5th of February 2016 which was the first revaluation since the Authority acquired the land in 2007.

5. Intangible Asset**2016**

Cost	Cost	Additions	Disposals	30 Jun 16
SIFA Registration System	487,335	129,740	-	617,075
Front Accounting System (Work in Progress)	-	121,257	-	121,257
	487,335	250,997	-	738,332

Accumulated Amortisation	Balance	Amortisation	Disposals	30-Jun-16
SIFA Registration System	356,946	47,085	-	404,031
	356,946	47,085	-	404,031

Net book value	130,389			334,301
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6. Receivables and prepayments	2016	2015
Non - Current		
Employee loans – secured	2,883,190	3,988,816
	2,883,190	3,988,816
Current		
Employee loans – secured	279,378	318,715
Less provision for doubtful loan	-	-
	279,378	318,715
Trust Account	448	9,063
Interest receivables	617,019	571,665
Prepaid expenses	496,567	364,636
	1,393,412	1,264,079

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

These loans are expected to mature as follows:

Not later than 12 months	16,485	10,473
Later than 1 year but not later than 5 years	162,965	337,033
Later than 5 years	2,983,118	3,960,025
	3,162,568	4,307,531

7. Investment	2016	2015
Units in UTOS at fair value at beginning	1,590,000	1,450,000
Additional Units Purchased during the year	1,530,000	-
Movement in fair value at balance date	(220,000)	140,000
Investment in UTOS at fair value at end	2,900,000	1,590,000
UTOS investment – convertible notes	4,000,000	4,000,000
UTOS investment – promissory notes	7,470,000	4,000,000
	14,370,000	9,590,000

SIFA had purchased \$1,000,000 worth of units from UTOS at \$1 a unit in April 2011 and another \$1,000,000 worth of units purchased in February 2016 at \$1.53 per unit. Fair value of these units were calculated based on publicised unit prices by UTOS at \$1.59 per unit as at 30 June 2015 and \$1.45 per unit as at 30 June 2016.

During the year, SIFA placed a new investment with UTOS of \$3,470,000 in promissory note at 4.5% interest per annum for two (2) years. Two (2) convertible notes of \$2,000,000 each will mature in December 2016 and January 2017 respectively.

8. Cash and cash equivalents	2016	2015
Cash and bank balances	919,599	5,150,768
Fixed deposits	42,113,044	36,777,065
	43,032,643	41,927,833

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 6 to 12 months at interest rates of between 3.00% and 4.50%pa.

9. Payables and accruals	2016	2015
Client deposits	1,066,933	608,219
Accrued expenses	87,226	269,897
Trust Fund	388,623	398,944
	1,542,782	1,277,060

Client deposits are funds deposited by the trustee companies to pay for incorporation and or renewal fees of their clients when due. Trust funds are funds from defunct companies which are held by SIFA pursuant to section 199 of the *International Companies Act 1988* for a period of up to two (2) years after which will be transferred to the Ministry of Finance to be dealt with under the *Public Finance Management Act 2001*.

10. PROVISIONS	2016	2015
Annual leave	116,684	75,171
Board members retirement	-	-
	116,684	75,171
Movement in provisions:	Annual leave	Annual leave
Balance at beginning of year	75,171	61,586
Paid out during the year	-	-
Utilised during the year	(33,253)	(25,673)
Additional charged to income	74,766	39,258
	116,684	75,171
	Board members retirement	Boar members retirement
Balance at the beginning of year	-	13,000
Paid out during the year	-	-
Write off provision	-	(13,000)
	-	-

11. PROMOTIONS	2016	2015
Promotions – other	5,898,157	4,546,195
Seminars and conferences	550,037	363,445
Memberships	131,338	102,279
	6,579,532	5,011,919

Promotions include sponsorship costs for national sporting teams and road shows for the promotion of Samoa’s international financial services.

12. Distribution to Government	2016	2015
Commitment to Government of Samoa	15,000,000	11,000,000

Total contribution of \$15,000,000 was committed to Government for the Current Financial Year 2015/2016 under section 18 of the *Samoa International Finance Authority Act 2005*.

13. Contingent liabilities

The Authority remains a defendant in litigation currently before the Supreme Court of Samoa. However, the court proceedings are yet to be completed and any costs or liability at the date of this financial report are uncertain (2014/2015:nil).

14. Operating lease commitments

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

	2016	2015
Operating lease payable is as follows:		
Not later than 1 year	257,474	280,796
	257,474	280,796

15. Key management personnel disclosures

	2016	2015
Compensation of key management personnel:		
Remuneration	477,007	743,703
Director fees and allowances	64,715	33,075

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, Accounts/Compliance and Registration.

16. Financial instruments

(a) Credit Risk

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

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

	2016	2015
Maximum exposure to credit risk at balance date are:		
Staff loans	3,162,568	4,307,531

(b) Currency risk

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

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

	2016	2015
<i>Financial asset:</i>		
Cash and cash equivalents	570,915	147,993
<i>Financial liabilities:</i>		
Customer deposits	(1,066,933)	(608,219)
Net Exposure	(496,018)	(460,226)

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

	2016	2015
	Higher/(Lower)	Higher/(Lower)
WS\$/USD + 5%	24,801	22,918
WS\$/USD – 5%	(24,801)	(22,918)

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

30 June 2016 - 0.4011

30 June 2015 - 0.3985

(c) Interest rate risk

Fair value interest 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 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.

17. Approval of financial statement

The financial statements were approved by the Board and authorised for issue on 28th of October, 2016.