



SAMOA LIFE ASSURANCE CORPORATION

Faalapotopotoga o Inisiua Tau Soifua a Samoa

1 November 2019

Chief Executive Officer
Ministry for Public Enterprises
Central Bank Building
APIA

Attention: Ms Elita To'oala

Dear Madam

**RE: SAMOA LIFE ASSURANCE CORPORATION FINAL COPY (FINANCIAL STATEMENTS) FOR YEAR
ENDED 30 JUNE 2019**

Please find enclosed our final copy financial statement for year ended 30 June 2019.

Should you require further assistance regarding above please do not hesitate to contact us.

Yours faithfully

Theresa Utai

AGM- Finance/Administration

Encl:



SAMOA LIFE ASSURANCE CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

MINISTRY FOR
PUBLIC ENTERPRISES

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SAMOA LIFE ASSURANCE CORPORATION
Financial Statements
For the year ended 30 June 2019

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SAMOA LIFE ASSURANCE CORPORATION
Management's Report
For the year ended 30 June 2019

MANAGEMENTS RESPONSIBILITY FOR FINANCIAL REPORTING

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

Our independent auditors (Su'a & Pauga's Associates.), having been appointed by the Government Controller and Auditor General, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.



Leiatua Aiden S. Godinet
General Manager



Theresa Utai
AGM - Finance & Administration

Date: 29th October 2019

SAMOA LIFE ASSURANCE CORPORATION
Directors Report
For the year ended 30 June 2019

The Directors present their report together with the financial statements of Samoa Life Assurance Corporation ("the Corporation") for the year ended 30 June 2019 as set out on the accompanying pages and the auditors' report thereon in accordance with the Public Finance Management Act and the Public Body Performance and Accountability Act.

Directors

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

Ulu Vaomalo Ulu Kini	(Chairperson)
Tuiasau Saumani Wong Sin	(Public Representative)
Tamaseu Leni Warren	(Public Representative)
Julie Tuala	(Public Representative)
Veronica Levi	(Public Representative)

Principal Activity

The principal activity of the Samoa Life Assurance Corporation is the provision of life assurance policies. There has been no change in the principal activity of the Corporation 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 Income Statement, 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 Corporation for the year ended 30 June 2019;
- (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 Corporation as at 30 June 2019.

Operating Results

The total profit for the year is \$218,001(2018: \$2,798,930) which is after income tax expense of \$291,069 (2018: \$263,422).

Reserves

The Directors have approved certain amounts to be transferred to and from reserves based on the advice from the appointed actuary and supported by management.

Bonuses

The Directors have approved the distribution of bonuses based on the advice from the appointed actuary and supported by management.

Dated at Apia this day 29th of October, 2019.

Signed in accordance with a resolution of the Directors.



DIRECTOR



DIRECTOR

certified public accountants

SAMOA LIFE ASSURANCE CORPORATION
Statement of Financial Performance
For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from operations			
Net premium revenue	5	7,938,220	8,028,936
Investment income	6	3,571,635	3,516,585
Other income	7	813,549	818,979
Net operating revenue		12,323,404	12,364,500
 Claims and operating expenses			
Administration expenses	8	899,979	1,093,534
Audit fees		55,000	55,000
Claims	9	8,119,322	5,596,041
Commission		690,636	701,379
Depreciation	15	354,653	236,815
Directors fees and costs	26	108,052	107,664
Interest on superannuation	24	128,317	225,710
Personnel costs	10	1,889,721	1,867,918
Net claims and operating expenses		12,245,680	9,884,061
 Profit before income tax		77,724	2,480,439
 Income tax expense	11	(291,069)	(263,422)
 Net profit after tax		(213,345)	2,217,017
 Share of profits from Investment in Associate	14	431,346	581,913
 Total profit		218,001	2,798,930

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

SAMOA LIFE ASURANCE CORPORATION
Statement of Financial Position
As at 30 June 2019

	Notes	2019	2018
ASSETS			
Property, plant and equipment	15	4,444,064	4,755,027
Loans on policies	12 (i)	18,357,449	18,016,215
Mortgaged lending	12 (ii)	6,323,280	4,733,209
Equity investments	13	6,631,102	6,453,840
Investments in associates	14	1,689,109	1,626,170
Accounts receivable	18	1,554,553	1,474,348
Other receivables and prepayments	19	488,251	513,294
Income tax receivable		499,734	526,879
Funds on deposit	17	7,675,658	9,427,275
Cash at bank	16	829,761	281,124
Total assets		48,492,961	47,807,381
LIABILITIES, FUNDS AND RESERVES			
Liabilities			
Insurance liabilities	20	540,067	326,427
Superannuation plan fund	24	2,253,512	2,063,335
Other payables and accruals	21	505,283	441,521
Total liabilities		3,298,862	2,831,283
Funds and reserves			
Assurance fund	22	43,703,348	43,335,347
Mortality and contingency reserve fund	23	1,100,000	1,100,000
Property revaluation reserve	25	390,751	540,751
Total funds and reserves		45,194,099	44,976,098
Total liabilities, funds and reserves		48,492,961	47,807,381

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

SAMOA LIFE ASSURANCE CORPORATION
Statement of Changes in Funds and Reserves
For the year ended 30 June 2019

	Note	Assurance Fund	Mortality & Contingency Reserve Fund	Property Revaluation Reserve	Total
Balance as at 1 July 2017		40,386,417	1,100,000	690,751	42,177,168
Net profit after tax	22	2,798,930	-	-	2,798,390
Transfer between Assurance Fund and Property Revaluation Reserve	22, 25	150,000	-	(150,000)	-
Transfer from Land & Building	15,25			-	-
		-	-	-	-
Balance as at 30 June 2018		43,335,347	1,100,000	540,751	44,976,098
Total Profit	22	218,001	-	-	218,001
Transfer between Assurance Fund and Property Revaluation Reserve	22, 25	150,000	-	(150,000)	-
Transfer from Land & Building	15,25			-	-
Plus Superannuation contributions	24	-	-	-	-
Plus Superannuation interest credited	24	-	-	-	-
Less Superannuation payments and other charges	24	-	-	-	-
Balance as at 30 June 2019		43,703,348	1,100,000	390,751	45,194,099

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

SAMOA LIFE ASSURANCE CORPORATION
Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Cash received from customers		8,723,752	8,636,677
Cash paid for commission, reinsurance, claims, loans supplies and employees		(11,613,625)	(9,686,159)
Income taxes paid		(291,069)	(263,886)
Net cash inflow/(outflow) from operating activities		(3,180,942)	(1,313,368)
Cash flows from investing activities			
Purchase of fixed assets		(43,690)	(511,916)
Interest received		2,566,186	(814,484)
Dividends received		589,983	869,194
Share of profits from investment in associates		426,923	581,913
Net cash inflow/(outflow) from investing activities		3,539,402	124,707
Cash flow from financing activities			
Superannuation funds		190,177	66,447
Net cash inflow/outflow from financing activities		190,177	66,447
Net increase/(decrease) in cash and cash equivalents		548,637	(1,122,214)
Cash and cash equivalents at beginning of year		281,124	1,403,338
Cash and cash equivalents at end of year		829,761	281,124
Represented by:			
Cash on hand	16	100	170
Cash at bank	16	829,661	280,954
		829,761	281,124

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

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. General information

The Samoa Life Assurance Corporation (the Corporation) provides optional life assurance policies and earns investment income from property, loans and term deposits.

The Corporation was established by the Samoa Life Assurance Corporation Act 1976. It is governed by a 5 member board of directors (the Board) chaired by Ulu Vaomalo Ulu Kini. The Board also comprises of appointed public representatives.

The Corporation's main office is located on the 3rd Floor of the Samoa Life Assurance Corporation Building, Matafele and its postal address is P.O. Box 494.

The Corporation is designated as a public beneficial body under the Public Body Performance and Accountability Act 2001. As a public beneficial body, the Corporation is required to follow the requirements of the Public Finance Management Act 2001.

These financial statements were authorised for issue by the Board of Directors on 29 October 2019

2. Statement of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Management Act 2001 which requires the adoption of *International Financial Reporting Standards* issued by the International Accounting Standards Board (IASB).

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of specific items of property, plant and equipment and financial instruments. The principal accounting policies are stated to assist in a general understanding of these financial statements.

c. Investments in associates

Associates are those entities over which the Corporation is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Corporation's share in the associate is not recognized separately and is included in the amount recognized as investment in associates.

The carrying amount of the investment in associates is increased or decreased to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Corporation.

Unrealised gains and losses on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

d. Principles underlying the conduct of life insurance business

The life insurance operations of the Corporation comprise the selling and administration of life insurance contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investments held by the life insurer, and the financial risks are substantially borne by the life insurer.

e. Premium Revenue

Life Insurance Contracts

Premium amounts earned by bearing insurance risks are recognised as revenue.

f. Investment Revenue

Investment revenue is recognised as follows:

Interest income

Interest income is recognised on an effective interest method.

Dividend income on equity investments

Dividend revenue from equity investments is recognised when the shareholders' rights to receive payment have been established.

Property income

Property income is recognised on an accrual basis.

Fair value gains and losses

Fair value gains and losses on financial assets at fair value are recognised through the income statement.

g. Claims expense

Claims are recognised when the liability to a policyholder under a life insurance contract has been established or upon notification of an insured event.

h. Outwards reinsurance

Premiums ceded to reinsurers under reinsurance contracts are recorded as an outwards reinsurance expense and are recognised over the period of indemnity of the reinsurance contract.

i. Income tax

The Corporation by specific approval by the Ministry for Revenue is exempt from paying tax on life insurance contract revenue except for all other income such as investment income which is subject to 10% of taxable income.

Current tax on net investment income is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

j. Functional and presentation currency

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency is the Samoan Tala (SAT).

k. Foreign currency transactions

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date.

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rates ruling at the dates the fair value was determined.

l. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and term deposits with maturities of 90 days for the purposes of the statement of cash flows.

m. Receivables

Receivables are recognised initially at fair value. Due to the short term nature of these assets the recoverable value, i.e. allowing for doubtful debts, will be the fair value.

n. Property, plant and equipment

Owner-occupied property

The SLAC Building for the purposes of accounting policy and treatment is referred to as owner-occupied property as a significant portion of the property is held for use by the Corporation in the production of goods and services and for administrative purposes.

Owner-occupied property is initially measured at cost, including transaction costs. It is subsequently measured at the revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.

All property valuations are undertaken every 3-4 years by independent registered valuers. Fair value is based on appropriate market evidence using earnings capitalization, discounted cash flow analysis, comparable sales transactions or a combination of these methods. The valuations are adjusted if necessary, for any difference in the nature, location or condition of the asset.

When a revaluation increases the carrying value of a property, the increase is recognised directly in the owner-occupied property valuation reserve.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the Income statement. The balance of the revaluation reserve, in respect of a property disposed of, is transferred to the assurance funds.

Each part of an owner-occupied property, except land, that is significant in relation to the total property is depreciated on a systematic basis over the useful life of the asset, being a period not exceeding 40 years.

All other property, plant and equipment

All other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The rates at which depreciation is charged are as follows:

• Owner occupied property on freehold land	2.50%
• Office furniture and equipment	
Spare parts - PABX	20.00%
Office furniture & fittings	20.00%
Office equipments	25.00%

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

• Motor vehicles	25.00%
• Generator and spare parts	20.00%

The residual value is reassessed annually.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the income statement.

o. Financial assets backing insurance business

The Corporation has determined that all assets of the Corporation are assets backing the policy liabilities of the life insurance business.

p. Fair value estimation

Fair value is determined as follows:

- Cash assets and bank overdrafts are carried at face value which approximate fair value;
- For investments in other companies, where quoted prices are not available and valuation techniques are not appropriate, the company has determined fair value using cost less impairment;
- Receivables are carried at book value, which is the best estimate of fair value as they are settled within a short period;
- Loans and mortgages are net of provisions for impairment. The estimated fair value of loans and mortgages are represented by the principal amounts outstanding at year end.

q. Impairment

The carrying amounts of the Corporation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised immediately in the profit or loss.

Calculation of recoverable amount

Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

r. Financial assets

The Corporation classifies its financial assets in the following categories; loans & receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The

Corporation's loans and receivables comprise 'Loans on policies', 'Mortgages', 'Cash at bank', 'Funds on deposits' and 'Accounts receivable'.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not categorised in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. The Corporation's available-for-sale financial assets include equity investments and are classified as non-current assets in the balance sheet.

s. Payables

Accounts payables and other accounts payable are recognised when the Corporation becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received. Given the short term nature of most payables, the carrying amounts approximate fair value.

t. Provisions

A provision is recognised in the balance sheet when the Corporation has a present legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

u. Employee benefits

The Corporation contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognised immediately in profit or loss.

Liabilities for annual leave is accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

v. Life insurance contract liabilities

The financial reporting methodology used to determine the value of the insurance contract liabilities is the net premium valuation method. Projections of future policy cash flows using best estimate assumptions show that the overall value determined under this method is a realistic estimate of fair value.

The assumptions used in the calculation of the policy liabilities are reviewed at each reporting date.

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

w. Funds and reserves

Funds and reserves include:

Assurance fund: The main policyholder fund covering the liabilities for individual life and group life policies and the cost of bonus additions to those policies.

Mortality and contingency reserve: A special reserve to provide additional solvency for exceptional events such as a significant deterioration in the mortality experience or major investment losses.

Superannuation plan fund: The policy fund set up to meet superannuation liabilities under the Samoa Life Superannuation Plan.

Property revaluation reserve: The property revaluation reserve on land and building arose following an assessment by the Corporation based on independent valuations of current market values at balance date. Revaluation of property is done every (3-4) years at the discretion of the Board of Directors.

x. Bonus distribution

Reversionary bonuses and maturity and death claim bonuses are declared each year out of surplus funds by the Corporation's Board after considering the advice of the actuary. The reversionary bonuses are recognised as a liability in the year they are declared and allocated to policies. The maturity and deaths claim bonus is only recognised as a liability when paid.

y. Comparatives

Where necessary previous periods comparatives have been changed to conform with the presentation of financial information for the current year.

3. Changes in Accounting Policy

Prior to 2012, the Investments in Associates were recorded at cost. IAS 28 requires the adoption of the equity method to account for Investment in Associates. The Corporation comprises of shareholding of 30% ordinary shares in CSL Mobile Ltd. In this method the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Corporation's share of the profit or loss of the CSL Mobile Ltd after the date of the acquisition.

4. Critical accounting estimates and judgments

Preparing financial statements to conform with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Corporation's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements.

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

Policy liabilities

The value of the policy liabilities is strongly influenced by the assumptions used in the actuarial assessments. Key factors regarding future experience are:

- The investment returns in relation to amounts guaranteed under the policies and the level of bonus additions.
- The mortality and morbidity experience.
- The costs of administering the policies.
- The level of new business and policy discontinuances.

5. Net premium revenue

Details of net premium revenue are specified as follows:

	2019 \$	2018 \$
Gross premium revenue	8,039,503	8,182,037
less: reinsurance premiums	(280,997)	-
add: reinsurance recoveries	179,714	(153,101)
Net premium revenue	7,938,220	8,028,936

6. Investment income

Details of investment income are specified as follows:

	2019 \$	2018 \$
Interest received:		
Term deposits	382,447	477,645
Government treasury bonds	13,770	14,460
Mortgage loans	563,711	376,701
Loan on policies	2,123,157	2,046,790
Staff advances	6,056	7,147
	<u>3,089,141</u>	<u>2,922,743</u>
Dividend income	221,576	338,138
Rent income	260,918	255,704
Total investment income	3,571,635	3,516,585

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NOTES TO THE FINANCIAL STATEMENTS
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7. Other income

Details of other income are specified as follows:

	2019	2018
	\$	\$
Loan administration fees	263,246	280,147
Superannuation administration fees	6,957	7,357
Exchange gains	12,919	4,571
Penalty charge on arrears	156,773	138,513
Policy service fees	12,442	14,811
Mortgage application fees	20,310	22,810
Loans maintenance fees	156,532	159,025
Gain on revaluation of shares	177,261	155,103
Profit on Sale of Assets	-	29,500
Mortgage administration fee	5,603	4,012
Other sundry income	1,506	3,130
Total other income	813,549	818,979

8. Administration expenses

Details of administration expenses are specified as follows:

	2019	2018
	\$	\$
Actuarial fees - Valuation, product and system development	127,027	98,789
Data processing - data entry	52,839	26,404
Other administration expenses	720,113	968,341
Total administration expenses	899,979	1,093,534

9. Claims expenses

Details of claims expenses are specified as follows:

	2019	2018
	\$	\$
Death claims (before recovery)	850,080	428,060
less: reinsurance recovery	(400,000)	-
Net Death claim	450,080	-
Surrender claims	2,065,652	2,119,306
Maturity claims	5,603,590	3,048,675
Total claims expense	8,119,322	5,596,041

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

10. Personnel costs

Details of personnel costs are specified as follows:

	2019	2018
	\$	\$
Gross salaries and wages	1,736,481	1,696,960
Accident compensation commission	19,182	21,350
National provident fund	134,058	149,608
Total	<u>1,889,721</u>	<u>1,867,918</u>

The average number of persons employed during the year is 54 (2017: 52).

11. Income tax

Details of income tax are specified as follows:

	2019	2018
	\$	\$
Investment income	3,940,042	4,047,641
Less: Dividend income (non-taxable)	<u>(589,983)</u>	<u>(869,194)</u>
	3,350,059	3,178,447
Less: Allowable deductions	<u>(439,366)</u>	<u>(544,230)</u>
Taxable income	2,910,693	2,634,217
Income tax expense at 10%	<u>291,069</u>	<u>263,422</u>

12. Loans on policies and mortgages

Details of financial assets are specified as follows:

	2019	2018
	\$	\$
(i) Loans on policies:		
Opening balance	18,016,215	16,840,197
Plus: New loans during the year	5,474,956	5,715,858
Interests charged during the year (active policies)	2,123,157	2,046,790
Maintenance fees	156,532	159,025
Others	<u>6,520</u>	<u>33,576</u>
	25,777,380	24,795,446
Less: Repayments during the year	<u>(7,419,931)</u>	<u>(6,779,231)</u>
	<u>18,357,449</u>	<u>18,016,215</u>

Maturity analysis for loans on policies is found in Note 27

Related Party Loans:

The above includes loans on policies by staff of \$127,612(2018 \$116,858)

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

	2019 \$	2018 \$
(ii) Mortgages:		
Opening balance	5,147,242	4,134,176
Plus: Advances during the year	1,965,636	2,133,434
Interests charged during the year	494,319	307,309
Suspense interest	69,392	69,392
Refund of overpayment	3,801	19,451
Administration fees	5,603	4,013
	<u>7,685,993</u>	<u>6,667,775</u>
Less: Repayments during the year	(948,680)	(1,520,533)
Provision for loan losses	(414,033)	(414,033)
	<u>6,323,280</u>	<u>4,733,209</u>

Maturity analysis for mortgages is found in Note 27

Related Party Mortgages:

The above includes mortgage loans by staff of \$934,738 (2018 \$1,074,037; mortgage loans by directors of \$nil (2018 \$nil) at 30 June 2019

13. Investments

Details of equity investments are specified as follows:

	2019 \$	2018 \$
Equity Investment		
National Pacific Insurance Limited (5% shares)	388,540	388,540
Computer Services Limited (19% shares)	325,000	325,000
Other Investment:		
Samoa Submarine Cable Company	2,105,871	2,105,871
Gov.t Treasury Bond	200,000	200,000
Unit Trust of Samoa (2,215,761shares)	3,611,691	3,434,429
Total equity investments	<u>6,631,102</u>	<u>6,453,840</u>

The equity investments are subsequently measured at cost or revalued amounts as they are invested in entities where there is no active market (unlisted entities).

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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14. Investment in associates

Investment in associates relates to SLAC's investment in CSL Mobile which is of 30% shareholding (2018:30%)

	2019	2018
	\$	\$
Beginning balance	1,626,170	1,046,344
Share of profit in associate	431,346	581,913
Increase investment in CSL Mobile	-	528,969
Dividend received 2018	(368,407)	(531,056)
Total investment in associates	1,689,109	1,626,170

Investments in associates consist of a 30% ordinary share holding in CSL Mobile Limited and are accounted for using the equity method. The Directors have taken a medium to long term view of this investment.

	\$	\$
Assets		
Current assets	660,399	703,139
Non-current assets	4,817,137	4,631,440
	5,477,536	5,334,579
Liabilities		
Current liabilities	51,358	80,905
Non-current liabilities	340,231	334,782
	391,589	415,687
Net assets	5,085,947	4,918,892
Income	1,521,402	2,004,569
Expenses	(98,326)	(64,859)
Profit/Loss after income tax	1,423,076	1,939,710
SLAC 30% Share of CSL Mobile's Profits	431,346	581,913

There are no contingent liabilities relating to the Corporation's investment in associates.

SAMOA LIFE ASSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

15. Property, plant and equipment

Details of property, plant and equipment are specified as follows:

	Owner occupied land	Owner occupied property	Office furniture & equipment	Motor vehicles	Generator & spare parts	Total
GROSS CARRYING AMOUNT						
Revaluation 1 July 2016	1,545,000	4,174,676	931,057	378,500	168,205	7,197,438
Plus revaluation						
Additions	-	-	50,770	-	-	50,770
Balance as at 30 June 2017	1,545,000	4,174,676	981,827	378,500	168,205	7,248,208
Additions	-	-	411,916	100,000	-	511,916
Balance as at 30 June 2018	1,545,000	4,174,676	1,393,743	478,500	168,205	7,760,124
Plus current revaluation						-
Additions	-	-	43,690	-	-	43,690
Balance as at 30 June 2019	1,545,000	4,174,676	1,437,433	478,500	168,205	7,803,814
ACCUMULATED DEPRECIATION						
Opening balance 1 July 2017	-	1,573,241	730,669	296,167	168,205	2,768,282
Depreciation charge for the year	-	65,036	125,279	46,500	-	236,815
Balance as at 30 June 2018	-	1,638,277	855,948	342,667	168,205	3,005,097
Disposals	-	-	-	-	-	-
Depreciation charge for the year	-	104,366	194,412	55,875	-	354,653
Balance as at 30 June 2019	-	1,742,643	1,050,360	398,542	168,205	3,359,750
Net book value 30 June 2018	1,545,000	2,536,399	537,795	135,833	-	4,755,027
Net book value 30 June 2019	1,545,000	2,432,033	387,073	79,958	-	4,444,064

16. Cash and cash equivalents

Details of cash and cash equivalents for the purposes of the cash flow are specified as follows:

	2019	2018
	\$	\$
W'pac Banking Corp Australia	85,666	74,256
ANZ Bank Samoa Ltd	598,655	159,759
BNZ Bank Ltd	18,256	4,740
National Bank Samoa Ltd	3,645	8,527
Bank South Pacific Samoa Ltd	109,951	29,015
Petty cash	100	170
Samoa Commercial Bank	13,488	4,657
Total cash and cash equivalents	829,761	281,124

SAMOA LIFE ASSURANCE CORPORATION
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For the year ended 30 June 2019

17. Funds on deposit

Details of funds on deposit are specified as follows:

	2019	2018
	\$	\$
ANZ (Samoa) Limited	760,478	732,374
BNZ Bank Ltd	1,558,267	1,537,494
National Bank Samoa Ltd	2,253,487	2,149,045
Bank South Pacific Samoa Ltd	1,250,516	2,150,516
W'pac Banking Corp (Australia)	151,520	153,783
Samoa Commercial Bank Ltd	1,701,390	2,704,063
Total funds on deposit	<u>7,675,658</u>	<u>9,427,275</u>

The above term deposits have a weighted average interest rate of 3.50% and an average term of 365 days.

Maturity analysis of funds on deposit is found in Note 27.

18. Accounts receivable

Details of accounts receivable are specified as follows:

	2019	2018
	\$	\$
Premiums in arrears	1,402,225	1,342,431
Penalty charges on premium arrears	152,328	131,917
Total accounts receivable	<u>1,554,553</u>	<u>1,474,348</u>

Premiums which are less than 3 months past due are not considered impaired. The above includes premiums of \$1,051,668 (2018 \$1,006,823) in arrears over 3 months past due which are also not considered impaired as they are covered under the non-forfeiture provisions.

19. Other receivables and prepayments

Details of other receivables and prepayments are specified as follows:

	2019	2018
	\$	\$
Accrued interest from investments	415,159	427,084
Others	73,092	86,210
Total other receivables & prepayments	<u>488,251</u>	<u>513,294</u>

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20. Insurance liabilities

Details of insurance liabilities are specified as follows:

	2019	2018
	\$	\$
Premiums overpaid	91,173	(13,607)
Maturities, surrenders and death claims not paid	448,894	340,034
Total insurance liabilities	540,067	326,427

21. Other payables and accruals

Details of other payables and accruals are specified as follows:

	2019	2018
	\$	\$
Provision for audit fees	22,944	35,844
Other creditors	482,339	405,677
Total other payable and accruals	505,283	441,521

22. Assurance fund

Details of assurance fund are specified as follows:

	2019	2018
	\$	\$
Opening balance	43,335,347	40,386,417
Plus: Current year's net profit	218,001	2,798,930
Transfer from property revaluation reserve	150,000	150,000
Closing balance	43,703,348	43,335,347

23. Mortality and contingency reserve fund

Details of mortality and contingency reserve fund are specified as follows:

	2019	2018
	\$	\$
Opening balance	1,100,000	1,100,000
Closing balance	1,100,000	1,100,000

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24. Superannuation plan fund

Details of superannuation plan fund are specified as follows:

	2019	2018
	\$	\$
Members funds at beginning	2,063,335	1,996,888
Add: Contributions	81,668	83,225
Interests credited	128,317	225,710
	2,273,320	2,305,823
Less: Payments and other charges	-19,808	-242,488
Closing balance	2,253,512	2,063,335

25. Property revaluation reserve

Details of property revaluation reserve are specified as follows:

PROPERTY REVALUATION RESERVE

	2019	2018
	\$	\$
Opening balance	540,751	690,751
Less: Transfer to assurance funds	-150,000	-150,000
Closing balance	390,751	540,751

The latest valuation was done in 2016 by an independent valuer.

26. Directors and executive management compensation

i. Directors

Details of Directors fees and expenses during the year were as follows:

	2019	2018
	\$	\$
Directors fees	92,730	90,408
Catering expenses	8,322	10,056
Training expenses	1,000	1,200
Membership fees	6,000	6,000
Total directors fees and expenses	108,052	107,664

Directors appointed from Government Corporations and Ministries do not receive directors' fee or sitting allowances. Government regulations specify that directors fees are chairperson \$22,500 per annum members \$18,000 per annum. Directors do not receive any sitting allowances.

SAMOA LIFE ASSURANCE CORPORATION
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ii. *Key management personnel costs*

Details of the remuneration of key members of management during the year were as follows:

	2019 \$	2018 \$
Salaries and short-term employment benefits	407,560	375,363
<i>Employers contribution to:</i>		
National provident fund	56,722	52,214
Accident compensation commission	8,103	7,460
Total key management personnel costs	472,385	435,037

27. **Life insurance contracts and valuation of liabilities**

Assumptions of valuation of life insurance contract liabilities and other liabilities

The effective date of the policy liabilities and solvency reserves calculation is 30 June 2019. The Appointed Actuary, Melville Jessup Weaver, has calculated policy liabilities for the Corporation. The actuary is satisfied as to the accuracy of the data from which the policy liabilities have been determined.

The liabilities arise in respect of individual policies, group arrangements and the Superannuation Plan. Total sums assured on policies, inclusive of bonus additions amount to \$ 164.7 m (2018\$167.0m) tala at balance date.

The basis adopted for the valuation was the net premium method using the A1924/29 ultimate mortality tables with 4.5% interest and with an adjustment to the net premium to allow for initial expenses not exceeding the lesser of the first year's premium and 4% of the sum assured.

The valuation disclosed the following figures: Prior year figures are shown for comparison: these differ from the figures last year as the financial statements were subsequently revised:

	2019 \$'000	2018 \$'000
Policyholder Funds as per accounts	44,799	44,435
Owner-occupied land and property revaluation recognised	150	150
	44,949	44,585
Less value of liabilities: Life policies	(37,880)	(37,644)
Less existing mortality and contingency reserve	(1,100)	(1,100)
Net surplus at 30 June 2019	5,969	5,841

Basis for valuation

The following describes the basis for the valuation:

- a. Policies were valued individually using a modified net premium method with allowance for initial expenses. The allowance taken was the lesser of the first years premium and \$40 per \$1,000 basic sum assured.
- b. Reserves for extra risks (e.g. Health) and policy riders were taken as equal to one half of the premium in respect of such risks.

SAMOA LIFE ASSURANCE CORPORATION
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- c. Negative reserves (which can only occur in the first year of a policy's life as a result of the value of future premiums being greater than the value of the future liabilities) have been eliminated.
 - d. The mortality table used was the A1924/29 Ultimate Table. A "Mortality and Contingency Reserve" has been established to provide protection against adverse fluctuations in mortality experience and also in other adverse circumstances.
 - e. The rate of interest used was 4.5% per annum.
 - f. No specific reserve is made for future expenses. Provisions for future expenses and profit are assumed to be derived from the difference between the net premium required and actual premium charged.
 - g. No reinsurance premiums are paid in advance, so no adjustment needs to be made for any unexpired portion.
 - h. Supplementary valuation investigations using best estimate assumptions show that the value determined for the policy liabilities under this valuation basis is a realistic estimate of fair value.

Life insurance risk

The life insurance activities of the Corporation involve a number of financial and non-financial risks associated with the pricing, acceptance, administration and benefits under its policies.

The financial risks relate to the investment guarantees provided under policies regarding the amounts payable on death or maturity. These risks are managed by:

- Appropriate asset allocation policies.
- Proper regard to the timing and amount of expected payments.
- The bonus allocation policy.

Part of the return to policyholders is provided through special maturity and death claim bonuses which although funded are not guaranteed.

To manage the non-financial risks, the Corporation has in place:

- Appropriate pricing and product design procedures for new policies.
- The underwriting of all individual policies and strict acceptance procedures for group risks.
- Arrangements which ensure the insurance portfolio is well diversified.
- Reinsurance.

The Corporation reinsures part of insurance risk with a specialist reinsurance company. This serves primarily to:

- Reduce the net liability on large individual risks
- Stabilise the financial results from year to year.

The Company's reinsurance arrangements have changed since 2015. As at 1 July 2016, the reinsurance company is based in Singapore is regulated by the Monetary Authority of Singapore and has a strong credit rating of A+ (negative) Standard and Poor's. Its parent company is based in Bermuda and other major operations are in USA, Ireland and Switzerland.

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28. Risk management and financial instrument information

Risk management objectives

The principal objective of the Corporation's Risk Management strategy is to establish a dynamic structure for the identification, measurement, monitoring and reporting of financial risks. The Corporation seeks to manage financial risks to maximize the return to its policy holders, while ensuring:

- that the Corporation remains solvent
- there is sufficient cash flow available to execute the operational strategy set by the Board of Directors.

The Corporation's risk management is carried out in accordance with policies set by the Board and they provide a clear structure for managing financial risks including delegations, and reporting.

Financial Risk Management Structure

The board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively. The following bodies and individuals within the Corporation are also responsible for managing and monitoring financial risks.

The Board

The Board is responsible for the approval of the risk management policy, investment strategy, capital and financing plans, approval of transactions outside of risk management policy and setting the financial risk appetite.

Appointed Actuary

The Appointed Actuary is responsible for reporting to the board on the financial condition of the corporation including the valuation of the liabilities and solvency. The Appointed Actuary is also responsible for giving advice on the allocation of surplus, premium rates and product design.

Risks and mitigation

The Corporation's activities expose it to a variety of financial risks:

(A) Market risk

Market risk is the risk of change in the fair value of financial instruments from fluctuations in the foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to an individual financial instrument or its issuer affecting all financial instruments traded in a market.

(i) Currency risk

Currency risk is the risk of loss resulting from changes in exchange rates. Losses may result from translating the Corporations funds on deposit invested in overseas markets such as in New Zealand and Australia but this does not form a significant part of the Corporation's operations and these are not hedged.

Foreign currency denominated assets:

	2019	2018
	\$	\$
	SAT	SAT
Exposure to Austalian dollars	237,186	228,328
Exposure to New Zealand dollars	1,576,488	1,542,199
	<u>1,813,674</u>	<u>1,770,527</u>

At 30 June 2019, if the Currency had weakened or strengthened by 10% against the \$NZ dollar with all other variables held constant, post-tax profit for the year would have been \$459,952 (2018: \$2,981,203) or \$-224,918 (2018:\$2,315,532), mainly as a result of foreign exchange gains/losses on translation of \$NZ dollar-denominated financial assets.

SAMOA LIFE ASSURANCE CORPORATION
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At 30 June 2019, if the Currency had weakened or strengthened by 10% against the \$AUS dollar with all other variables held constant, post-tax profit for the year would have been \$342,920 (2018: \$2,865,313) or \$-71,371 (2018: \$2,465,022), mainly as a result of foreign exchange gains/losses on translation of \$AUS dollar-denominated financial assets.

(ii) *Interest rate risk*

Interest rate risk is the risk that the value/future value cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Investment asset of the Corporation comprise cash, funds on deposits, equity securities and other financial assets that are held to back life insurance contract liabilities such as loans on policies, mortgages, assurance funds and reserves.

The following table provides information on the financial assets which are subject to interest rate changes. They show the weighted average interest rate. The weighted average interest rates are based on carrying amounts and rates applicable at balance date.

Maturity analysis interest bearing financial assets and liabilities:

	Weighted Average Interest rate	Within 1 year	Between 2-5 years	Over 5 years	Total
2019					
Loans on policies	12.00%	6,000,000	12,357,449	-	18,357,449
Mortgages	8.00%	824,873	2,265,990	3,647,775	6,738,638
Funds on deposits	3.50%	6,175,658	1,500,000	0.00	7,675,658
Net total		13,000,531	16,123,439	3,647,775	32,771,745

All other financial assets and liabilities are non-interest bearing.

(iii) *Fair value of financial instruments*

All financial assets and liabilities are recorded in fair values which approximate fair value.

(B) *Credit risk*

Credit risk is the risk of loss that arises from a counter party failing to meet their contractual commitment in full and on time, or from losses arising from the change in value of a financial instrument as a result of changes in credit risk on that instrument.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

(C) *Liquidity risk*

Liquidity risk represents the risk that the Corporation may not have the financial ability to meet its contractual obligations. The corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

SAMOA LIFE ASSURANCE CORPORATION
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Forecasted liquidity reserve per 30 June 2020 is as follows:

	2020	2021-2024
	\$	\$
Opening balance for the period	-707,000	-33,000
Operating proceeds	15,624,000	62,496,000
Operating cash outflows	-16,520,000	-66,080,000
Cash outflow for investments	-60,000	-240,000
Proceeds from sale of investments	1,630,000	6,520,000
Closing balance for the period	<u>-33,000</u>	<u>2,663,000</u>

(D) *Fair values*

Fair value is the amount for which an asset could be exchanged, or a liability settles, between knowledgeable, willing parties in an arm's length transaction.

All assets shown on the balance sheet are at fair value unless otherwise stated.

29. Capital commitments and contingent liabilities/assets

There are no capital commitments this year.

Post 30 June 2019, SLAC had entered into legal proceedings and dispute claims from a former employee. Costs have not been recognized as a liability in the Statement of Financial Position due to uncertainty of any potential liability given that the Court process is yet to be completed.

30. Events occurring after balance sheet date

There are no events subsequent to balance sheet date which require recognition or disclosure in these financial statements (2018: nil).