

SAMOA LIFE ASSURANCE CORPORATION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

SAMOA LIFE ASSURANCE CORPORATION  
Financial Statements  
For the year ended 30 June 2020

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**SAMOA LIFE ASSURANCE CORPORATION**  
**Management's Report**  
For the year ended 30 June 2020

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**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.

**Seiuli Masalosalo Levale**  
Assistant General Manager – Information & Technology

**Theresa Utai**  
Assistant General Manager -  
Finance & Administration

Date: \_\_\_\_\_

**SAMOA LIFE ASSURANCE CORPORATION**  
**Directors Report**  
For the year ended 30 June 2020

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The Directors present their report together with the financial statements of Samoa Life Assurance Corporation ("the Corporation") for the year ended 30 June 2020 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:

Tuatagaloa Alfred Schwalger	(Chairperson)
Tamaseu Leni Warren	(Public Representative)
Sua Mataalii John Pasina	(Public Representative)
Seuamuli Sapio Tooala	(Public Representative)
Julie Tuala	(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 2020;
- (ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Corporation as at 30 June 2020.

**Operating Results**

The total profit for the year is \$2,587,027(2019: \$218,001) which is after income tax expense of \$288,051 (2019: \$291,069).

**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 \_\_\_\_\_ of \_\_\_\_\_, 2020.

Signed in accordance with a resolution of the Directors.

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**CHAIRPERSON**

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**DIRECTOR**



SAMOA LIFE ASSURANCE CORPORATION  
Statement of Financial Performance  
For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Revenue from operations</b>			
Net premium revenue	5	7,305,361	7,938,220
Investment income	6	4,860,614	3,571,635
Other income	7	906,528	813,549
<b>Net operating revenue</b>		<b><u>13,072,503</u></b>	<b><u>12,323,404</u></b>
<b>Claims and operating expenses</b>			
Administration expenses	8	1,042,445	899,979
Audit fees		55,000	55,000
Claims	9	6,983,273	8,119,322
Commission		917,758	690,636
Depreciation	15	296,729	354,653
Directors fees and costs	26	90,936	108,052
Interest on superannuation	24	158,583	128,317
Personnel costs	10	1,910,496	1,889,721
<b>Net claims and operating expenses</b>		<b><u>11,455,220</u></b>	<b><u>12,245,680</u></b>
<b>Profit before income tax</b>		<b><u>1,617,283</u></b>	<b><u>77,724</u></b>
Income tax expense	11	(288,051)	(291,069)
<b>Net profit after tax</b>		<b><u>1,329,232</u></b>	<b><u>(213,345)</u></b>
Share of profits from Investment in Associate	14	1,257,795	431,346
<b>Total profit</b>		<b><u>2,587,027</u></b>	<b><u>218,001</u></b>

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

SAMOA LIFE ASURANCE CORPORATION  
Statement of Financial Position  
As at 30 June 2020

	Notes	2020	2019
<b>ASSETS</b>			
Property, plant and equipment	15	4,044,413	4,444,064
Loans on policies	12 (i)	18,679,369	18,357,449
Mortgaged lending	12 (ii)	5,612,892	6,323,280
Equity investments	13	6,896,993	6,631,102
Investments in associates	14	2,850,724	1,689,109
Accounts receivable	18	1,445,104	1,554,553
Other receivables and prepayments	19	358,428	488,251
Income tax receivable		474,995	499,734
Funds on deposit	17	9,454,507	7,675,658
Cash at bank	16	1,351,171	829,761
<b>Total assets</b>		<b>51,168,596</b>	<b>48,492,961</b>
<b>LIABILITIES, FUNDS AND RESERVES</b>			
<b>Liabilities</b>			
Insurance liabilities	20	1,165,562	540,067
Superannuation plan fund	24	1,692,820	2,253,512
Other payables and accruals	21	529,088	505,283
<b>Total liabilities</b>		<b>3,387,470</b>	<b>3,298,862</b>
<b>Funds and reserves</b>			
Assurance fund	22	46,440,375	43,703,348
Mortality and contingency reserve fund	23	1,100,000	1,100,000
Property revaluation reserve	25	240,751	390,751
<b>Total funds and reserves</b>		<b>47,781,126</b>	<b>45,194,099</b>
<b>Total liabilities, funds and reserves</b>		<b>51,168,596</b>	<b>48,492,961</b>

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 2020

	Note	Assurance Fund	Mortality & Contingency Reserve Fund	Property Revaluation Reserve	Total
<b>Balance as at 1 July 2018</b>		43,335,347	1,100,000	540,751	<b>44,976,098</b>
Net profit after tax	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			-	-
		-	-	-	-
<b>Balance as at 30 June 2019</b>		<b>43,703,348</b>	<b>1,100,000</b>	<b>390,751</b>	<b>45,194,099</b>
Total Profit	22	2,587,027	-	-	2,587,027
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	-	-	-	-
<b>Balance as at 30 June 2020</b>		<b>46,440,375</b>	<b>1,100,000</b>	<b>240,751</b>	<b>47,781,126</b>

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 2020

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Cash received from customers		8,478,025	8,723,752
Cash paid for commission, reinsurance, claims, loans supplies and employees		(10,414,205)	(11,613,625)
Income taxes paid		(288,051)	(291,069)
<b>Net cash inflow/(outflow) from operating activities</b>		<b><u>(2,224,231)</u></b>	<b><u>(3,180,942)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		2,922	(43,690)
Interest received		480,031	2,566,186
Dividends received		1,565,585	589,983
Share of profits from investment in associates		1,257,795	426,923
<b>Net cash inflow/(outflow) from investing activities</b>		<b><u>3,306,333</u></b>	<b><u>3,539,402</u></b>
<b>Cash flow from financing activities</b>			
Supperannuation funds		(560,692)	190,177
<b>Net cash inflow/outflow from financing activities</b>		<b><u>(560,692)</u></b>	<b><u>190,177</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>521,410</b>	<b>548,637</b>
Cash and cash equivalents at beginning of year		829,761	281,124
<b>Cash and cash equivalents at end of year</b>		<b><u>1,351,171</u></b>	<b><u>829,761</u></b>
<b>Represented by:</b>			
Cash on hand	16	100	100
Cash at bank	16	1,351,071	829,661
		<b><u>1,351,171</u></b>	<b><u>829,761</u></b>

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 2020

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**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 Tuatagaloa Alfred Schwalger. 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 30 October 2020

**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 2020

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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**  
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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.

**i. 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%

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For the year ended 30 June 2020

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• 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 2020

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*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 2020

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**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.

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 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 30 June 2020

**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:

	<b>2020</b>	<b>2019</b>
	\$	\$
Gross premium revenue	7,524,293	8,039,503
less: outwards reinsurance expense	(293,263)	(280,997)
add: reinsurance recoveries	74,331	179,714
<b>Net premium revenue</b>	<b>7,305,361</b>	<b>7,938,220</b>

**6. Investment income**

Details of investment income are specified as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Interest received:</b>		
Term deposits	362,277	382,447
Government treasury bonds	20,943	13,770
Mortgage loans	560,284	563,711
Loan on policies	2,178,790	2,123,157
Staff advances	6,258	6,056
	3,128,552	3,089,141
Dividend income	1,469,405	221,576
Rent income	262,657	260,918
<b>Total investment income</b>	<b>4,860,614</b>	<b>3,571,635</b>



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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2020

**7. Other income**

Details of other income are specified as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Loan administration fees	242,898	263,246
Superannuation administration fees	6,892	6,957
Exchange gains	11,776	12,919
Penalty charge on arrears	151,936	156,773
Policy service fees	13,100	12,442
Mortgage application fees	500	20,310
Loans maintenance fees	148,368	156,532
Gain on revaluation of shares	177,261	177,261
Profit on Sale of Assets	75,000	-
Mortgage administration fee	5,400	5,603
Other sundry income	73,397	1,506
<b>Total other income</b>	<b><u>906,528</u></b>	<b><u>813,549</u></b>

**8. Administration expenses**

Details of administration expenses are specified as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Actuarial fees - Valuation, product and system development	127,222	127,027
Data processing - data entry	34,715	52,839
Other administration expenses	880,508	720,113
<b>Total administration expenses</b>	<b><u>1,042,445</u></b>	<b><u>899,979</u></b>

**9. Claims expenses**

Details of claims expenses are specified as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Death claims (before recovery)	681,810	850,080
less: reinsurance recovery	-	(400,000)
Net Death claim	<u>681,810</u>	<u>450,080</u>
Surrender claims	2,275,439	2,065,652
Maturity claims	4,026,024	5,603,590
<b>Total claims expense</b>	<b><u>6,983,273</u></b>	<b><u>8,119,322</u></b>

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**10. Personnel costs**

Details of personnel costs are specified as follows:

	2020	2019
	\$	\$
Gross salaries and wages	1,752,989	1,736,481
Accident compensation commission	17,519	19,182
National provident fund	139,988	134,058
<b>Total</b>	<b><u>1,910,496</u></b>	<b><u>1,889,721</u></b>

The average number of persons employed during the year is 54 (2019: 54).

**11. Income tax**

Details of income tax are specified as follows:

	2020	2019
	\$	\$
Investment income	4,956,794	3,940,042
Less: Dividend income (non-taxable)	<u>(1,565,585)</u>	<u>(589,983)</u>
	3,391,209	3,350,059
Less: Allowable deductions	<u>(510,699)</u>	<u>(439,366)</u>
Taxable income	2,880,510	2,910,693
<b>Income tax expense at 10%</b>	<b><u>288,051</u></b>	<b><u>291,069</u></b>

**12. Loans on policies and mortgages**

Details of financial assets are specified as follows:

	2020	2019
	\$	\$
<b>(i) Loans on policies:</b>		
Opening balance	18,357,449	18,016,215
Plus: New loans during the year	5,376,315	5,474,956
Interests charged during the year (active policies)	2,178,790	2,123,157
Maintenance fees	148,367	156,532
Others	14,825	6,520
	<u>26,075,746</u>	<u>25,777,380</u>
Less: Repayments during the year	<u>(7,396,377)</u>	<u>(7,419,931)</u>
	<b><u>18,679,369</u></b>	<b><u>18,357,449</u></b>

Maturity analysis for loans on policies is found in Note 27

**Related Party Loans:**

The above includes loans on policies by staff of \$148,146(2018 \$127,612)

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	2020	2019
	\$	\$
<b>(ii) Mortgages:</b>		
Opening balance	6,737,313	5,147,242
Plus: Advances during the year	53,000	1,965,636
Interests charged during the year	490,892	494,319
Suspense interest	69,392	69,392
Refund of overpayment	9,049	3,801
Administration fees	5,400	5,603
	7,365,046	7,685,993
Less: Repayments during the year	(1,338,121)	(948,680)
Provision for loan losses	(414,033)	(414,033)
	<b>5,612,892</b>	<b>6,323,280</b>

Maturity analysis for mortgages is found in Note 27

**Related Party Mortgages:**

The above includes mortgage loans by staff of \$818,572 (2018 \$934,738; mortgage loans by directors of \$nil (2019 \$nil) at 30 June 2020

### 13. Investments

Details of equity investments are specified as follows:

	2020	2019
	\$	\$
<b>Equity Investment</b>		
National Pacific Insurance Limited (5% shares)	388,540	388,540
Computer Services Limited (19% shares)	325,000	325,000
<b>Other Investment:</b>		
Samoa Submarine Cable Company	2,105,871	2,105,871
Gov.t Treasury Bond	200,000	200,000
Unit Trust of Samoa (2,215,761 shares)	3,877,582	3,611,691
<b>Total equity investments</b>	<b>6,896,993</b>	<b>6,631,102</b>

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).

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**14. Investment in associates**

Investment in associates relates to SLAC's investment in CSL Mobile which is of 30% shareholding (2019:30%)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Beginning balance	1,689,109	1,626,170
Share of profit in associate	1,257,795	431,346
Increase investment in CSL Mobile	-	-
Dividend received 2020	(96,180)	(368,407)
<b>Total investment in associates</b>	<b><u>2,850,724</u></b>	<b><u>1,689,109</u></b>

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.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	615,499	660,399
Non-current assets	34,075,177	4,817,137
	<b><u>34,690,676</u></b>	<b><u>5,477,536</u></b>
<b>Liabilities</b>		
Current liabilities	71,681	51,358
Non-current liabilities	130,231	340,231
	201,912	391,589
<b>Net assets</b>	<b><u>34,488,764</u></b>	<b><u>5,085,947</u></b>
Income	4,257,048	1,521,402
Expenses	(64,398)	(98,326)
<b>Profit/Loss after income tax</b>	<b><u>4,192,650</u></b>	<b><u>1,423,076</u></b>
<b>SLAC 30% Share of CSL Mobile's Profits</b>	<b><u>1,257,795</u></b>	<b><u>431,346</u></b>

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

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**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
<b>GROSS CARRYING AMOUNT</b>						
Revaluation 1 July 2017	1,545,000	4,174,676	981,827	378,500	168,205	<b>7,248,208</b>
Plus revaluation Additions	-	-	411,916	100,000	-	<b>511,916</b>
<b>Balance as at 31 July 2017</b>	<b>1,545,000</b>	<b>4,174,676</b>	<b>1,393,743</b>	<b>478,500</b>	<b>168,205</b>	<b>7,760,124</b>
Additions	-	-	42,078	-	-	<b>42,078</b>
<b>Balance as at 30 June 2019</b>	<b>1,545,000</b>	<b>4,174,676</b>	<b>1,435,821</b>	<b>478,500</b>	<b>168,205</b>	<b>7,802,202</b>
Plus current revaluation Additions	-	-	43,690	-	-	<b>43,690</b>
<b>Balance as at 30 June 2020</b>	<b>1,545,000</b>	<b>4,174,676</b>	<b>1,479,511</b>	<b>478,500</b>	<b>168,205</b>	<b>7,845,892</b>
<b>ACCUMULATED DEPRECIATION</b>						
Opening balance 1 July 2018	-	1,638,277	855,948	342,667	168,205	<b>3,005,097</b>
Depreciation charge for the year	-	104,366	194,412	55,875	-	<b>354,653</b>
<b>Balance as at 30 June 2019</b>	<b>-</b>	<b>1,742,643</b>	<b>1,050,360</b>	<b>398,542</b>	<b>168,205</b>	<b>3,359,750</b>
Disposals	45,000	-	-	100,000	-	<b>145,000</b>
Depreciation charge for the year	-	104,367	165,429	26,933	-	<b>296,729</b>
<b>Balance as at 30 June 2020</b>	<b>45,000</b>	<b>1,847,010</b>	<b>1,215,789</b>	<b>525,475</b>	<b>168,205</b>	<b>3,801,479</b>
<b>Net book value 30 June 2019</b>	<b>1,545,000</b>	<b>2,432,033</b>	<b>387,073</b>	<b>79,958</b>	<b>-</b>	<b>4,444,064</b>
<b>Net book value 30 June 2020</b>	<b>1,500,000</b>	<b>2,327,666</b>	<b>263,722</b>	<b>(46,975)</b>	<b>-</b>	<b>4,044,413</b>

**16. Cash and cash equivalents**

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
W'pac Banking Corp Australia	86,746	85,666
ANZ Bank Samoa Ltd	991,962	598,655
BNZ Bank Ltd	32,531	18,256
National Bank Samoa Ltd	11,282	3,645
Bank South Pacific Samoa Ltd	133,432	109,951
Petty cash	100	100
Samoa Commercial Bank	95,118	13,488
<b>Total cash and cash equivalents</b>	<b>1,351,171</b>	<b>829,761</b>

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**17. Funds on deposit**

Details of funds on deposit are specified as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
ANZ (Samoa) Limited	789,693	760,478
BNZ Bank Ltd	1,615,723	1,558,267
National Bank Samoa Ltd	3,370,809	2,253,487
Bank South Pacific Samoa Ltd	1,750,516	1,250,516
W'pac Banking Corp (Australia)	153,989	151,520
Samoa Commercial Bank Ltd	1,773,777	1,701,390
<b>Total funds on deposit</b>	<b><u>9,454,507</u></b>	<b><u>7,675,658</u></b>

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:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Premiums in arrears	1,303,426	1,402,225
Penalty charges on premium arrears	141,678	152,328
<b>Total accounts receivable</b>	<b><u>1,445,104</u></b>	<b><u>1,554,553</u></b>

Premiums which are less than 3 months past due are not considered impaired. The above includes premiums of \$977,569 (2019 \$1,051,668) 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:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Accrued interest from investments	248,429	415,159
Others	109,999	73,092
<b>Total other receivables &amp; prepayments</b>	<b><u>358,428</u></b>	<b><u>488,251</u></b>

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**20. Insurance liabilities**

Details of insurance liabilities are specified as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Premiums overpaid	610,329	91,173
Maturities, surrenders and death claims not paid	555,233	448,894
<b>Total insurance liabilities</b>	<b><u>1,165,562</u></b>	<b><u>540,067</u></b>

**21. Other payables and accruals**

Details of other payables and accruals are specified as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Provision for audit fees	18,244	22,944
Other creditors	510,844	482,339
<b>Total other payable and accruals</b>	<b><u>529,088</u></b>	<b><u>505,283</u></b>

**22. Assurance fund**

Details of assurance fund are specified as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Opening balance	43,703,348	43,335,347
Plus: Current year's net profit	2,587,027	218,001
Transfer from property revaluation reserve	150,000	150,000
<b>Closing balance</b>	<b><u>46,440,375</u></b>	<b><u>43,703,348</u></b>

**23. Mortality and contingency reserve fund**

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Opening balance	1,100,000	1,100,000
<b>Closing balance</b>	<b><u>1,100,000</u></b>	<b><u>1,100,000</u></b>

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**24. Superannuation plan fund**

Details of superannuation plan fund are specified as follows:

	2020	2019
	\$	\$
Members funds at beginning	2,253,512	2,063,335
Add: Contributions	80,803	81,668
Interests credited	158,583	128,317
	<u>2,492,898</u>	<u>2,273,320</u>
Less: Payments and other charges	-800,078	-19,808
<b>Closing balance</b>	<b><u>1,692,820</u></b>	<b><u>2,253,512</u></b>

**25. Property revaluation reserve**

Details of property revaluation reserve are specified as follows:

**PROPERTY REVALUATION RESERVE**

	2020	2019
	\$	\$
Opening balance	390,751	540,751
Less: Transfer to assurance funds	-150,000	-150,000
<b>Closing balance</b>	<b><u>240,751</u></b>	<b><u>390,751</u></b>

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:

	2020	2019
	\$	\$
Directors fees	76,441	92,730
Catering expenses	8,495	8,322
Training expenses	-	1,000
Membership fees	6,000	6,000
<b>Total directors fees and expenses</b>	<b><u>90,936</u></b>	<b><u>108,052</u></b>

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.



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ii. *Key management personnel costs*

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

	2020 \$	2019 \$
Salaries and short-term employment benefits	444,373	407,560
<i>Employers contribution to:</i>		
National provident fund	70,715	56,722
Accident compensation commission	8,839	8,103
<b>Total key management personnel costs</b>	<b><u>523,927</u></b>	<b><u>472,385</u></b>

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 2020. 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 \$168.8 m (2019: \$164.7m) 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:

	2020 \$'000	2019 \$'000
Policyholder Funds as per accounts	47,540	44,803
Owner-occupied land and property revaluation recognised	150	150
	<u>47,690</u>	<u>44,953</u>
Less value of liabilities: Assurance Life policies	(38,962)	(37,880)
Less existing mortality and contingency reserve	(1,100)	(1,100)
<b>Net surplus at 30 June 2020</b>	<b><u>7,628</u></b>	<b><u>5,973</u></b>

***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.

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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:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
	<b>SAT</b>	<b>SAT</b>
Exposure to Australian dollars	240,734	237,186
Exposure to New Zealand dollars	1,648,254	1,576,488
	1,888,988	1,813,674

At 30 June 2020, 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 \$1,747,081 (2019: \$459,952) or \$1,032,470 (2019: \$-224,918), mainly as a result of foreign exchange gains/losses on translation of \$NZ dollar-denominated financial assets.

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At 30 June 2020, 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 \$1,619,109 (2019: \$342,920) or \$1,188,830 (2019: \$-71,371), 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:

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	Weighted Average Interest rate	Within 1 year	Between 2-5 years	Over 5 years	Total
<b>2020</b>					
Loans on policies	12.00%	5,000,000	13,679,369	-	18,679,369
Mortgages	8.00%	719,450	1,927,622	3,379,682	6,026,754
Funds on deposits	3.50%	6,951,618	2,500,000	0.00	9,451,618
<b>Net total</b>		<b>12,671,068</b>	<b>18,106,991</b>	<b>3,379,682</b>	<b>34,157,741</b>

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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.

**Forecasted liquidity reserve per 30 June 2021 is as follows:**

	<b>2021</b>	<b>2020-2025</b>
	<b>\$</b>	<b>\$</b>
Opening balance for the period	-33,000	-8,828,000
Operating proceeds	955,000	38,200,000
Operating cash outflows	-11,750,000	-47,000,000
Cash outflow for investments	-50,000	-200,000
Proceeds from sale of investments	2,050,000	8,200,000
<b>Closing balance for the period</b>	<b><u><u>-8,828,000</u></u></b>	<b><u><u>-9,628,000</u></u></b>

(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.

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Post 30 June 2020, 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 (2019: nil).