

POLYNESIAN AIRLINES (INVESTMENTS) LIMITED

ANNUAL REPORT 2014

FINANCIAL REPORTING

FOR YEAR ENDED 30 JUNE 2014

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DIRECTORS' REPORT**FOR YEAR ENDED 30 JUNE 2014**

The directors present their report together with the audited financial statements of the company for the year ended 30 June 2014 and the auditors' report thereon.

DIRECTORS

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

Feesago Siaso **Fepulea'i** - Chairman
 Lealaitagomoa Tony **Brighthouse**
 Tuiā Pu'a **Fuatogi**
 Mata'utia Pui'ui III **Mata'utia**
 Muaausā Shane **Rivers**
 Nonumalo Seumanutafa Akerei **Salesa**

STATE OF AFFAIRS

In the opinion of the directors, the accompanying financial statements give a true and fair view of the financial position of the company at 30 June 2014 and the results of its operations and cashflow for the year then ended.

OPERATING RESULTS

The company's net profit after tax for the year is \$609,230 (June 2013: \$379,526).

SIGNIFICANT EVENTS DURING THE YEAR

The transfer of ownership and operation of Fagalii Airport to the Samoa Airport Authority as expected during the year has not yet taken place.

The company continues to appeal with Cabinet to leave the ownership and operation of Fagalii Airport to itself as it has enabled it to repay advances from its related company, Polynesian Limited, and also allows its related company to conduct its airline business in a more profitable manner.

DIVIDENDS

Unlike the previous year where the directors resolved to declare a dividend equal to 5% of the after-tax profit, the directors as at 30 June 2014 have not declared a dividend for the year that has just ended.

On behalf of the Board

.....  Director 28. 10. 14 Date

.....  Director 28/10/2014 Date



**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF POLYNESIAN AIRLINES (INVESTMENTS) LIMITED – (PAIL)**

Scope

We have audited the financial statements of Polynesian Airlines (Investments) Limited for the year ended 30 June 2014 as set out on pages 5 to 12. The Company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with the Companies Act 2001 and International Financial Reporting Standards so as to present a view which is consistent with our understanding of the Company's financial position, the results of its operations and its cash flows.

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

Other relationship

Lesā ma Penn provides taxation services to the Company

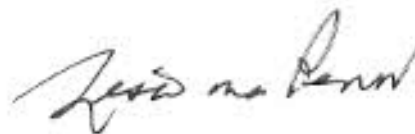
Audit Opinion

In our opinion:

- (a) proper books of account have been kept by the Company, so far as it appears from our examination of those books, and
- (b) the accompanying financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2014 and of the results of its operations and cash flows of the Company for the year ended on that date; and
- (c) the accompanying financial statements are properly drawn up to give in the prescribed manner the information required by International Financial Reporting Standards and the Companies Act 2001.

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

Apia, Samoa
28 October 2014


Chartered Accountants

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	<i>Notes</i>	30 June 14 WST	30 June 13 WST
EQUITY			
Share capital	2	48,598,218	48,598,218
Assets revaluation reserves	3	4,570,000	4,570,000
Accumulated deficit		<u>(4,343,434)</u>	<u>(4,952,664)</u>
TOTAL EQUITY		<u>\$48,824,784</u>	<u>\$48,215,554</u>
CURRENT ASSETS			
Cash at bank	1(f)	15,214	18,532
Other receivables		0	13,488
TOTAL CURRENT ASSETS		<u>15,214</u>	<u>32,020</u>
CURRENT LIABILITIES			
Payables and accruals		30,387	30,516
Unearned airport facilities charge	1(a)	114,210	54,928
Provisions	4	17,299	14,646
Due to related party - Polynesian Limited	5	4,063,461	4,855,989
TOTAL CURRENT LIABILITIES		<u>4,225,357</u>	<u>4,956,079</u>
NON CURRENT ASSETS			
Property, plant & equipment	3	5,567,948	5,631,042
Investments	6	47,598,219	47,598,219
TOTAL NON CURRENT ASSETS		<u>53,166,167</u>	<u>53,229,261</u>
NON CURRENT LIABILITIES			
Tenants' security deposits	7	9,500	9,500
Provision for property maintenance	1(d)	121,740	80,148
TOTAL NON CURRENT LIABILITIES		<u>131,240</u>	<u>89,648</u>
NET ASSETS		<u>\$48,824,784</u>	<u>\$48,215,554</u>

The relevant notes on pages 9 to 12 form part of this statement of financial position.

On behalf of the Board

Director



Director



STATEMENT OF FINANCIAL PERFORMANCE
FOR YEAR ENDED 30 JUNE 2014

	<i>Notes</i>	30 June 14 WST	30 June 13 WST
INCOME			
Airport facilities charges	<i>1(a)</i>	1,508,719	1,085,685
Rent Income	<i>1(a)</i>	135,240	55,240
Landing fees	<i>1(a)</i>	308,935	21,681
Sundry Income	<i>1(a)</i>	6,100	3,520
TOTAL INCOME		<u>1,958,994</u>	<u>1,166,126</u>
EXPENDITURE			
Audit fee		9,757	9,060
Depreciation	<i>1(c), 3</i>	69,395	61,507
Directors' fees	<i>5</i>	12,460	12,286
Interest on Advances from Polynesian Limited	<i>1</i>	501,787	-
Repair & maintenance	<i>1(d)</i>	85,594	94,767
Security & Civil Aviation		31,062	49,309
Staff	<i>1(e)</i>	433,809	428,961
Sundry expenses		205,901	130,710
TOTAL EXPENDITURE		<u>1,349,764</u>	<u>786,600</u>
PROFIT BEFORE INCOME TAX		609,230	379,526
Income tax	<i>8</i>	-	-
NET PROFIT AFTER TAX		609,230	379,526
Dividend paid and or provided		-	(18,976)
Accumulated deficit brought forward		<u>(4,952,664)</u>	<u>(5,313,214)</u>
ACCUMULATED DEFICIT CARRIED FORWARD		<u>(\$4,343,434)</u>	<u>(\$4,952,664)</u>

The relevant notes on pages 9 to 12 form part of this statement of financial performance.

**STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2014**

	<i>Notes</i>	30-Jun-14 WST	30-Jun-13 WST
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		141,734	130,095
Receipts on behalf of related party - Polynesian Limited		1,015,270	1,012,541
Payments for bank fees		(321)	(318)
Transfer to related party - Polynesian Limited		(1,160,000)	(1,133,999)
Net cash inflow/(outflow) from operating activities		<u>(3,317)</u>	<u>8,319</u>
NET INCREASE/(DECREASE) IN CASH		(3,317)	8,319
OPENING CASH BALANCE		<u>18,532</u>	<u>10,213</u>
CASH BALANCE AT YEAR END	<i>1(f)</i>	<u>15,214</u>	<u>18,532</u>
CASH AT BANK			
<i>ANZ Bank (Samoa) Limited</i>	<i>1(f)</i>	<u>\$15,214</u>	<u>\$18,532</u>

The relevant notes on pages 9 to 12 form part of this statement of cash flows.

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2014

	30-Jun-14 WST	30-Jun-13 WST
ISSUED AND PAID UP CAPITAL		
Balance at beginning of the year	48,598,218	48,598,218
Shares issued	-	-
Additional capital advances from Government	-	-
Balance at year end	<u>\$48,598,218</u>	<u>\$48,598,218</u>
ASSET REVALUATION RESERVE		
Balance at beginning of the year	4,570,000	4,570,000
Revaluation reserve for the year	-	-
Balance at year end	<u>\$4,570,000</u>	<u>\$4,570,000</u>
RETAINED EARNINGS		
Balance at beginning of the year	(4,952,664)	(5,313,214)
Net profit after tax for the year	<u>609,230</u>	<u>379,526</u>
Total available for appropriation	(4,343,434)	(4,933,688)
Dividends paid and or provided	-	(18,976)
Balance at year end	<u>(\$4,343,434)</u>	<u>(\$4,952,664)</u>
TOTAL EQUITY	<u>\$ 48,824,784</u>	<u>\$ 48,215,554</u>

The relevant notes on pages 9 to 12 form part of this statement of changes in equity.

NOTES TO FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting Policies

The reporting entity is Polynesian Airlines (Investments) Limited (the 'Company'). These financial statements have been prepared, except where stated, in accordance with the Samoa Companies Act 2001, International Financial Reporting Standards as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB. The financial statements are prepared in accordance with the historical cost convention and are presented in Samoan Tala unless stated otherwise. Accrual accounting is used to match expenses and revenue. Revenues and expenses are disclosed exclusive of Goods and Services Taxes.

Changes in Accounting Policies

A decision was made that effective from the financial year 01 July 2013 to 30 June 2014, the company will charge Polynesian Limited (PL), a related company for landing fees and offices PL uses at Fagalii airport and will be charged with interest on advances it owes to PL. Relevant comparative figures for the previous year have not been restated to reflect the impact of this change in accounting policy.

Specific Accounting Policies

(a) Revenue Recognition

The Company's main source of income is the airport facilities charge (AFC) payable by passengers aged 2 years and over who travel beyond Samoa through the Company's Fagalii airport. The AFC is paid for when the air ticket is purchased and is recognised as revenue when the travel takes place. The value of AFC paid for travel after the end of the financial year is recorded as a current liability in the Unearned Airport Facilities Charge account.

The Company's other sources of income include rental of building spaces at the Airport Terminal building, landing and parking fees for aircraft and advertising fees using the company's premises. They are recognised as revenue when the service is provided.

(b) Income Tax

Income tax is accounted for using the payable method. Tax effect accounting has not been adopted because of the uncertainty of when timing differences will be reversed and benefits realised.

(c) Property, Plant and Equipment

Except for the land at Fagalii which is stated at valuation cost, all other property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight line method so as to write off the cost of the assets less any residual value over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Buildings	40 years
Property Improvements	10 years
Plant & Equipment	5 years

(d) Provisions

Provision is made for major maintenance of the Fagalii Airport property that are expected to be carried out in the future but the benefits for which are deemed to have been earned during the year. Provision is also made for employee benefits for full time employees in terms of untaken annual leave and long service leave based on pay rates current at the end of the year.

(e) Staff Costs

Staff costs include salaries, allowances, medical, insurance, uniform, safety gears, transport, training, recruitment, superannuation and all other costs associated with the employment of staff. In addition to staff costs for full time employees, a proportion of costs for Polynesian Limited's administrative and operational staff who are involved in the operations of the company is also included.

NOTES TO FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2014

(f) Cash

The Company's bank account is used solely for the lodgement of funds received by the Company at its Fagalii Airport. These funds belong to either the Company or Polynesian Limited and are transferred on a regular basis to Polynesian Limited, who is responsible for the payment of all Company expenditures except bank fees, leaving only a small amount in the Company's bank account to keep it active.

(g) Accounts Receivable

These are stated at estimated realisable value after providing for debts where collection is considered doubtful.

2. SHARE CAPITAL

	30-Jun-14 WST	30-Jun-13 WST
Authorised and issued capital of 1,000,000 ordinary shares at WST1 each fully paid	1,000,000	1,000,000
Capital advances from the Government of Samoa	47,598,218	47,598,218
	<u>\$48,598,218</u>	<u>\$48,598,218</u>

These capital advances represent additional injections of capital funds sourced from the Government of Samoa. The company intends to convert these advances into issued and paid up capital.

3. PROPERTY, PLANT & EQUIPMENT

	Cost WST	Revaluation WST	Accumulated depreciation WST	Written down value WST
At 30-Jun-14				
Land at Fagalii	180,000	4,570,000	-	4,750,000
Plant & Equipment	76,401	-	68,113	8,289
Motor Vehicles	66,087	-	19,826	46,261
Buildings & Improvements	2,880,924	-	2,117,526	763,398
	<u>\$3,203,412</u>	<u>\$4,570,000</u>	<u>\$2,205,465</u>	<u>\$5,567,948</u>
At 30-Jun-13				
Land at Fagalii	180,000	4,570,000	-	4,750,000
Plant & Equipment	73,346	-	55,409	17,937
Motor Vehicles	66,087	-	6,609	59,478
Buildings & Improvements	2,880,924	-	2,077,297	803,628
	<u>3,200,357</u>	<u>\$4,570,000</u>	<u>\$2,139,315</u>	<u>\$5,631,043</u>

Property, Plant and Equipment reconciliation

	30-Jun-14 WST	30-Jun-13 WST
Balance as at the beginning of period	5,631,043	5,626,463
Plus: Additions during year	6,300	66,087
Less: Depreciation expense for the year	(69,395)	(61,507)
	<u>5,567,948</u>	<u>5,631,043</u>

The land at Fagalii was revalued at 30 June 2008 to reflect its market value based on a willing buyer's offer of August the 16th 2007 and it has not been revalued since that time.

4. PROVISIONS

	30-Jun-14 WST	30-Jun-13 WST
Provision for audit fee	9,757	9,260
Provision for staff costs	7,542	5,386
	<u>17,299</u>	<u>14,646</u>

**NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014**
5. RELATED PARTY TRANSACTIONS

The Company is the parent company for Polynesian Limited and the ultimate parent is the Government of Samoa. All transactions with related parties are made on normal commercial terms and conditions.

	30-Jun-14 WST	30-Jun-13 WST
<i>Balances with related parties at year end were as follows:</i>		
Amount due to Polynesian Limited	4,063,461	4,855,989
<i>Transactions with related parties during the year were as follows:</i>		
Payments made on company's behalf by Polynesian Limited	838,812	947,448
Company's revenue received by Polynesian Limited on its behalf	1,631,340	1,146,493
Amount received on behalf of Polynesian Limited	1,015,270	1,012,541
Amount transferred to Polynesian Limited	1,160,000	1,133,999
Directors fees paid for the year	12,460	12,286

6. INVESTMENTS

	30-Jun-14 WST	30-Jun-13 WST
Long term investments in:		
Polynesian Limited - shares and capital advances	47,598,218	47,598,218
Samoa Land Corporation Limited - share	1	1
	<u>\$47,598,219</u>	<u>\$47,598,219</u>

7. TENANTS' SECURITY DEPOSITS

	30-Jun-14 WST	30-Jun-13 WST
Fagalii Airport Tenants' Refundable Security Deposits	9,500	9,500
	<u>\$9,500</u>	<u>\$9,500</u>

8. INCOME TAX

	30-Jun-14 WST	30-Jun-13 WST
Net profit before tax	609,230	379,526
Timing differences	-	-
	<u>609,230</u>	<u>379,526</u>
Tax loss brought forward	<u>(10,766,675)</u>	<u>(11,146,201)</u>
Tax loss available to be carried forward	<u>(10,157,445)</u>	<u>(10,766,675)</u>

The Company has tax losses for which no future income tax benefit is recognised. The asset has not been recognised as the directors consider the criteria for recognition have not been met. Tax assessments have been received up to and including 30 June 1998. The Company has filed its tax returns up to and including 30 June 2012 and tax losses are estimated to be WSS\$11.6 million gross (30 June 2011: WST\$11.7 million gross) at balance date. These losses are yet to be confirmed by the tax department. The tax losses do not have an expiry date.

NOTES TO FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2014

9. FINANCIAL INSTRUMENTS

(a) Credit Risk

Financial instruments which potentially subject the company to credit risk principally comprise cash, and intercompany balances. Maximum credit risk exposure at balance date is the carrying value of assets in the statement of financial position.

The Company has a concentration of credit risk with certain related parties. The directors do not consider this to present any serious risk to the Company at present.

(b) Fair Values

All financial instruments are carried at fair value, except for intercompany advances, which because they are not subject to interest, are carried at lower than fair value.

(c) Interest Rate Risk

Interest bearing debt is subject to the risk of market interest rate movements dependent upon the currency in which the debt is denominated. The Company does not engage in activities such as interest rate swaps in order to adjust the effective interest rates on debt.

Interest bearing assets and liabilities have the following characteristics:

		Maturity/repricing	Interest Rates
	30-Jun-14		
Nil		NA	NA
	30-Jun-13		
Nil		NA	NA

(d) Currency Risk

The Company does not engage in hedging foreign currency positions through forward contracts or currency options. All trading in currencies is undertaken at spot rates, either with financial institutions or through the IATA clearing mechanism, on the day of the transaction.

10. GENERAL

Polynesian Airlines (Investments) Limited is a private company incorporated in Samoa and wholly owned by the Government of Samoa. Prior to the cessation in November 2005 of international jet operation by its related Company, Polynesian Limited, its objective had been to undertake the business of investment in international and domestic aviation carriage from its base in Apia, Samoa.

After November 2005, it remained dormant until the shareholder in November 2008 decided to re-activate Fagali Airport which was closed down since January 2005 when it was under the Samoa Airport Authority (SAA).

The ownership of the land upon which Fagali Airport was situated when it was under SAA was reverted back to the company as it has never been legally transferred to SAA.

Since completion of rehabilitation works in June 2009, the company's principal activities since the 1st of July 2009 is to own and operate Fagali Airport by letting it out to Polynesian Limited for conducting its airline operation.