

POLYNESIAN LIMITED

ANNUAL REPORT 2014

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

The directors submit 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 Siaosi **Fepulea'i** - Chairman  
Lealaitagomoa Tony Brighthouse  
Tuiā Pu'a Fuatogi  
Mata'utia Puiui III Mata'utia  
Maausa Shane Rivers  
Norumalo Seumanutafa Akere **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 net profit after tax for the year ending 30 June 2014 is \$1,823,254 (30 June 2013: \$1,195,706).

SIGNIFICANT EVENTS DURING THE YEAR

The expectation that Fagali Airport was going to be owned and operated during the year by Samoa Airport Authority has not happened yet. The company continues to appeal to Cabinet to leave Fagali Airport's ownership and operation with Polynesian Airlines (Investments) Limited, a related company as it has been instrumental in the company's success since it was re-opened on the 1st of July 2009 and will continue to play a vital role in its future plans.

Seiuli Alvin Tuala took over as the new Chief Executive Officer of the company on the 16th of June 2014.

DIVIDENDS

Unlike the previous year where the directors declared 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.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

The Company placed an order for a third Twin Otter aircraft during the month of July 2014 and it arrived at the beginning of October 2014. This will help improve the reliability of air services between the two Samoas and will provide the company with the capacity to look for other business opportunities.

On behalf of the Board



Director

28. 10. 14 Date



Director

28/10/2014 Date



**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF POLYNESIAN LIMITED**

**Scope**

We have audited the financial statements of Polynesian Limited for the year ended 30 June 2014 as set out on pages 8 to 21. 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.

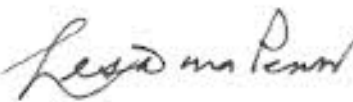
**Audit Opinion**

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 PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30-Jun-14 WST	30-Jun-13 WST
<b>REVENUE</b>			
Revenue from core activities:			
- Airline operation	1(a)	11,615,481	10,083,369
- Ground handling operation	1(e)	2,330,372	2,454,001
- General sales agency activities	1(a)	1,021,151	1,314,630
Other Income		8,078	34,461
<b>TOTAL REVENUE</b>		<b>14,975,082</b>	<b>13,886,490</b>
<i>less</i>			
<b>OPERATING EXPENSES</b>			
Sales and marketing	2(a)-2(f)	1,667,903	1,518,509
Engineering and supply	2(a)-2(f)	4,385,594	4,057,759
Flight operations	2(a)-2(f)	3,323,427	3,123,207
Ground handling	2(a)-2(f)	2,441,914	1,942,011
Corporate and administration	2(a)-2(f)	867,835	951,209
Depreciation and amortisation	12	944,669	1,024,863
<b>TOTAL OPERATING EXPENSES</b>		<b>13,631,342</b>	<b>12,617,558</b>
Net financial income/(cost)	3	479,514	(72,595)
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,823,254</b>	<b>1,196,337</b>
Income tax expense	1(b), 4	-	(831)
<b>NET PROFIT AFTER TAXATION</b>		<b>1,823,254</b>	<b>1,195,706</b>
<i>Basic/diluted earnings per share</i>	18	0.36	0.24

The relevant notes on pages 12 to 21 form part of this statement of financial performance.

POLYNESIAN LIMITED

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30-Jun-14 WST	30-Jun-13 WST
TOTAL EQUITY AT BEGINNING OF YEAR		19,782,879	17,646,958
Profit for the year		1,823,254	1,195,705
Dividend declared and or paid	14 (e) & (b)	-	(59,785)
Government capital advances	5b, 14, 17	1,000,000	1,000,000
TOTAL EQUITY AT END OF YEAR		<u>22,606,133</u>	<u>19,782,879</u>

The relevant notes on pages 12 to 21 form part of this statement of changes in equity.

STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2014

	Notes	30-Jun-14 WST	30-Jun-13 WST
<u>EQUITY</u>			
Share Capital	5a	5,000,000	5,000,000
Government Capital Advances	5b	48,598,218	47,598,218
Accumulated Deficit		(30,992,085)	(32,815,339)
<b>TOTAL EQUITY</b>		<b>22,606,133</b>	<b>19,782,879</b>
<u>CURRENT ASSETS</u>			
Cash on Hand and at Bank	1(j)	13,220,932	9,327,864
Trade Debtors	1(e), 6	505,807	614,334
Sundry Debtors	1(e), 7	769,014	1,375,323
Prepayments		74,043	25,446
Intercompany Advances	13, 14	4,063,461	4,855,989
Inventory	1(g), 8	1,840,425	1,633,261
<b>TOTAL CURRENT ASSETS</b>		<b>20,473,682</b>	<b>17,832,217</b>
<u>CURRENT LIABILITIES</u>			
Interest-Bearing Loans and Borrowings	1(k), 9	966,952	658,147
Revenue in Advance of Carriage	1(a)	364,344	249,116
Trade Creditors and Accruals	10	2,143,075	2,317,824
Provisions	1(i), 11	401,030	1,178,521
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,877,411</b>	<b>4,403,608</b>
<u>NON CURRENT ASSETS</u>			
Property, Plant and Equipment	1(i), 12	11,852,179	12,261,521
Deferred Expenditure	1(h), 12	59,200	59,200
<b>TOTAL NON CURRENT ASSETS</b>		<b>11,911,379</b>	<b>12,320,721</b>
<u>NON CURRENT LIABILITIES</u>			
Provisions	1(i), 11	2,812,347	1,898,503
Interest-Bearing Loans and Borrowings	1(k), 9	3,089,170	4,067,948
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>5,901,517</b>	<b>5,966,451</b>
<b>NET ASSETS</b>		<b>22,606,133</b>	<b>19,782,879</b>

The relevant notes on pages 12 to 21 form part of this statement of financial position.

On behalf of the Board



Director



Director

28. 10. 14

Date

28/10/2014

Date

## POLYNESIAN LIMITED

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	30-Jun-14 WST	30-Jun-13 WST
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
<i>Cash was provided from:</i>		
Receipts from customers	16,289,031	14,074,837
<i>Cash was applied to payments of:</i>		
Income tax	-	(631)
Suppliers and employees	(12,772,069)	(12,127,565)
Net cash inflow from operating activities	3,516,962	1,946,641
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
<i>Cash was provided from:</i>		
Sale of property, plant and equipment	0	14,750
<i>Cash was applied to payments for:</i>		
Purchase of property, plant and equipment	(535,326)	(1,164,044)
Net cash outflow from investing activities	(535,326)	(1,149,294)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
<i>Cash was provided from:</i>		
Capital advances from shareholder	1,000,000	1,000,000
Amount received on behalf of related company	1,631,340	1,146,493
<i>Cash was applied to:</i>		
Repay principal of bank loans	(705,950)	(1,053,017)
Interest paid on bank loans	(208,464)	(406,602)
Pay dividend to shareholder	-	(44,356)
Amount paid on behalf of related company	(838,812)	(797,386)
Net cash inflow(outflow) from financing activities	878,104	(154,865)
Net increase in cash held	3,859,740	642,478
Add : Opening net cash balance	9,327,864	8,687,083
Net effect of exchange rates movements on the opening balance	33,328	(1,696)
Closing net cash balance	13,220,932	9,327,864
<b>Represented by:</b>		
Cash on hand	9,738	9,794
Cash with banks in Samoa	8,355,214	6,548,779
Cash with banks in American Samoa	3,845,515	1,767,735
Cash with banks in Tonga	1,006,334	997,007
Cash with banks in New Zealand	4,131	4,546
	13,220,932	9,327,864

The relevant notes on pages 12 to 21 form part of this statement of cash flows.



**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2014****1 STATEMENT OF ACCOUNTING POLICIES****General Accounting Policies**

The reporting entity is Polynesian 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 applying in the various jurisdictions in which the Company operates.

**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 Airlines (Investments) Limited (PAIL), a related company, interest on the outstanding balance of advances due from it and PAIL is to charge the company for landing fees and offices used by the company at Fagali Airport which is owned and operated by PAIL. 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**

In the airline operation, passenger and cargo ticket sales are recognised as revenue when the transportation service is provided. The value of unflown passenger and cargo sales is recorded as a current liability in the Revenue in Advance of Carriage account. Ground handling services in the ground handling operation are recognised as revenue when the service is provided. Activities in general sales agency activities are recognised as revenue when the activity is performed.

**(b) Income Taxation**

*Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.* Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(c) Foreign Currencies**

Monetary assets and liabilities in foreign currencies have been translated to Samoan Tala at rates approximating those prevailing at balance date.

Transactions during the year have been converted at rates set by the International Air Transport Association where applicable or in other cases at the ruling bank rates at the date of the transaction.

Realised and unrealised profits or losses on exchange are recognised in the year in which they occur by way of a credit to or charge against income.

**(d) Leased Assets**

Operating lease expense is charged to the income statement as incurred.

**(e) Debtors**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 30 JUNE 2014****(f) Property, Plant and Equipment**

All property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. 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 carrying amounts of property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. Impairment losses are recognised whenever the carrying amount of a property, plant and equipment exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

The useful operational life of an aircraft and related rotatable spares owned by the Company is determined by reference to its anticipated flight cycle life.

The residual value of aircraft and related spares is a percentage of the original costs, or values established under contractual arrangements. For the current fleet the operational life is assessed as 15 years with a residual value of 40%. This treatment is consistent with that of other carriers operating in the Pacific.

The estimated useful lives of property, plant and equipment are as follows:

Aircraft and Rotable Spares	15 years
Furniture and Fittings	5 years
Leasehold Improvements	5 years
Motor Vehicles	5 years
Office Equipment	5 years
Plant and Equipment	5 years

**(g) Inventory**

Inventory including non-rotatable spares, is stated at the lower of cost or net realisable value. Cost is recorded on a first-in-first-out basis, after making appropriate allowance for obsolescence. Net realisable value represents the estimated net selling price less any costs of realisation.

**(h) Deferred Expenditure**

Costs of modifying, introducing and certifying aircraft and related equipment are amortised over the estimated useful lives of owned aircraft and for leased aircraft over the respective lease periods.

**(i) Provisions**

Provision is made for aircraft maintenance costs that are expected to be incurred on the legally required maintenance checks. The provision is accrued based on the flying hours and cycles operated. Provision is also made for employee benefits in terms of annual leave, long service leave and employment termination benefits based on pay rates current at the end of the year.

**(j) Cash**

Cash at bank and on hand includes actual cash balances and short term deposits with banks in Samoa and overseas.

**(k) Interest-Bearing Loans and Borrowings**

Borrowing costs are expensed in the period in which they are incurred.

**(l) Staff costs**

Staff costs include salaries, allowances, medical, insurance, uniform, safety gear, transport, training, recruitment, superannuation and all other costs associated with the employment of staff.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 30 JUNE 2014

## 2 EXPENDITURE

The following have been charged as operating expenses to the statement of financial performance:

## (a) Rental and lease charges:

- Buildings
- Aircraft

	30-Jun-14 WST	30-Jun-13 WST
	392,264	380,036
	14,923	13,934
	<u>407,188</u>	<u>393,970</u>

## (b) Audit fees

	39,027	39,000
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## (c) Director fees - see also Note 14(d)

	48,109	58,996
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## (d) Fuel costs for aircraft operation

	2,056,645	1,796,562
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## (e) Staff costs - see Note 1(f) for definition of staff costs

	4,814,423	4,597,679
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## (f) Expenditure classifications shown in the statement of financial performance include staff, occupancy and administration costs as well as the following major expense categories:

Sales and Marketing	Commissions, distribution systems, advertising and marketing
Engineering and Supply	Engineering costs, spare parts, service and overheads
Flight Operations	Fuel, aircraft leases and insurance, civil aviation and capacity purchase
Ground Handling	Airport dues, border controls, flight disruptions and contract charges
Corporate and Administration	Accounting, board, banking, legal, insurance and employee relations

## 3 NET FINANCIAL INCOME/(COSTS)

Interest income from:

- Bank deposits
- Advance to Related Company Polynesian Airlines (Investments) Limited

Interest expense on loans

Realised foreign exchange loss

Unrealised foreign exchange gain

*Net financial income/(cost)*

	30-Jun-14 WST	30-Jun-13 WST
	304,367	192,042
	501,787	-
	(269,651)	(317,823)
	(91,552)	(1,649)
	34,563	54,835
	<u>479,514</u>	<u>(72,595)</u>

## 4 TAXATION

Income tax expense recognised in the income statement:

- Current tax expense
- Deferred tax expense

	30-Jun-14 WST	30-Jun-13 WST
	-	(631)
	-	-
	<u>-</u>	<u>(631)</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 WST\$65.5 million gross (30 June 2011: WST\$65.5 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 THE FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 30 JUNE 2014

5 EQUITY	30-Jun-14 WST	30-Jun-13 WST
(a) Share Capital		
Authorised, Issued and Paid Up Capital 5,000,000 (June 2013: 5,000,000) ordinary shares of WST1.00 each (par value)	5,000,000	5,000,000
The shares all have equal rights with regard to voting, distributions and capital repayments		
(b) Government Capital Advances		
Opening balance	47,598,218	46,598,218
Advances received during year	1,000,000	1,000,000
Closing balance	48,598,218	47,598,218
<b>6 TRADE DEBTORS</b>	<b>30-Jun-14 WST</b>	<b>30-Jun-13 WST</b>
Trade debtors	630,121	902,380
Less Provision for doubtful debts - see movements under Note 6(a) below	(124,313)	(288,046)
Net Trade debtors	505,807	614,334
Related Party Balances included in gross Trade Debtors above	4,038	4,235
6(a) <i>Movements in the provision for doubtful debts:</i>		
Opening balance	(288,046)	(420,197)
Additional provision for the year	-	(1,134)
Amount used during the year	143,096	129,075
Unused amount reversed during the year	20,837	4,210
Closing balance	(124,313)	(288,046)
<b>7 SUNDRY DEBTORS</b>	<b>30-Jun-14 WST</b>	<b>30-Jun-13 WST</b>
Samoa VAGST & Excise Tax Refunds	692,154	612,286
Security Deposits	1,500	127,991
Others	322,931	882,617
Provision for doubtful accounts - see movements under Note 7(a) below	(247,571)	(247,571)
Total Sundry Debtors	769,014	1,375,323
Related Party Balances included in gross Sundry Debtors above	692,154	612,286
7(a) <i>Movements in the provision for doubtful accounts:</i>		
Opening balance	(247,571)	(311,229)
Additional provision for the year	-	-
Unused amount reversed during the year	-	63,658
Closing balance	(247,571)	(247,571)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 30 JUNE 2014

## 8 INVENTORY

	30-Jun-14 WST	30-Jun-13 WST
Aircraft consumables	1,859,436	1,625,829
Other inventory	714,221	658,946
Provision for obsolete stock - see movements under Note 8(a) below	(733,233)	(651,514)
Total inventory	<u>1,840,425</u>	<u>1,633,261</u>

## 8(a) Movements in the provision for obsolete stock:

Opening balance	(651,514)	(641,952)
Amount used during year		
Additional provision for the year	(81,719)	(9,582)
Unused amount reversed during the period		
Closing balance	<u>(733,233)</u>	<u>(651,514)</u>

## 9 INTEREST-BEARING LOANS AND BORROWINGS

	30-Jun-14 WST	30-Jun-13 WST
Current Portion of Bank Loans:		
- Westpac Bank Samoa Limited	969,962	658,147
Total Current Portion of Bank Loans	<u>969,962</u>	<u>658,147</u>
Non-Current Portion of Bank Loans:		
- Westpac Bank Samoa Limited	3,089,169	4,067,948
Total Non-Current Portion of Bank Loans	<u>3,089,169</u>	<u>4,067,948</u>
Total Interest-Bearing Loans and Borrowings	<u>4,059,131</u>	<u>4,726,094</u>

The Westpac Bank loan is for US\$3.75 million made for the purchase of a twin otter aircraft at a fixed interest rate of 6.06% per annum for the whole term of ten years from April 2008 until April 2018. It is repaid by quarterly repayments of US\$126,914 inclusive of both principal and interest beginning July 2008 until April 2018 and is secured by a Government of Samoa Guarantee.

## 10 TRADE CREDITORS AND ACCRUALS

	30-Jun-14 WST	30-Jun-13 WST
Trade creditors	1,012,476	1,438,459
Accruals & other creditors	1,130,600	879,365
Total Creditors and Accruals	<u>2,143,075</u>	<u>2,317,824</u>
Related Party Balances included in Trade creditors above	<u>73,328</u>	<u>124,963</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 30 JUNE 2014

## 11 PROVISIONS

## Year ended 30-Jun-14

Provision for aircraft maintenance  
Provision for employee benefits

Current WST	Non Current WST	Total WST
85,009	2,680,033	2,765,042
316,021	132,314	448,336
<u>401,030</u>	<u>2,812,347</u>	<u>3,213,378</u>

## Year ended 30-Jun-13

Provision for aircraft maintenance  
Provision for employee benefits

799,798	1,800,043	2,599,841
378,723	98,460	477,183
<u>1,178,521</u>	<u>1,898,503</u>	<u>3,077,024</u>

## 11(a) Movements during the year:

Provision for aircraft maintenance:

Opening balance  
Additional provisions made during year  
Amount used during year  
Closing balance

	30-Jun-14 WST	30-Jun-13 WST
	2,599,841	2,527,530
	235,294	969,757
	(70,093)	(897,446)
	<u>2,765,042</u>	<u>2,599,841</u>

Provision for employee benefits:

Opening balance  
Additional provisions made during year  
Amount used during year  
Closing balance

	477,183	380,112
	188,535	186,991
	(217,383)	(89,919)
	<u>448,336</u>	<u>477,183</u>

Total provisions

	<u>3,213,378</u>	<u>3,077,024</u>
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Provision for key management personnel benefits included in closing balance above

	<u>185,470</u>	<u>210,680</u>
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12 PROPERTY, PLANT AND EQUIPMENT  
and DEFERRED EXPENDITURE

	30-Jun-14 Cost WST	30-Jun-14 Accumulated Depreciation / Impairment losses WST	30-Jun-14 Written Down Value WST
Rotable Spares	3,381,307	(979,739)	2,401,567
Leasehold improvements	835,756	(700,359)	135,396
Motor Vehicles	462,410	(385,909)	76,510
Office Equipment	552,852	(482,704)	90,148
Furniture and Fittings	90,098	(70,185)	19,913
Plant, Equipment & Tools	2,291,734	(1,856,471)	435,263
Aircraft	13,384,073	(4,697,929)	8,686,144
	<u>20,998,238</u>	<u>(9,153,296)</u>	<u>11,844,942</u>
Work in progress	7,237		7,237
Total Property, Plant and Equipment	21,005,475	(9,153,296)	11,852,179
Deferred Expenditure	148,000	(88,800)	59,200
Total Property, Plant and Equipment and Deferred Expenditure	<u>21,153,475</u>	<u>(9,242,096)</u>	<u>11,911,379</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)FOR THE YEAR ENDED 30 JUNE 2014

	30-Jun-13 Cost WST	30-Jun-13 Accumulated Depreciation / Impairment losses WST	30-Jun-13 Written Down Value WST
Rotable Spares	3,175,998	(847,852)	2,328,136
Leasehold improvements	836,952	(628,753)	208,198.82
Motor Vehicles	462,419	(320,043)	142,375
Office Equipment	533,450	(446,039)	87,411
Furniture and Fittings	81,478	(55,740)	25,738
Plant and Equipment	2,007,390	(1,604,849)	402,541
Aircraft	13,384,073	(4,324,189)	9,059,884
	20,481,760	(8,227,475)	12,254,285
Work in progress	7,238.52		7,237
<i>Total Property, Plant and Equipment</i>	20,488,996	(8,227,475)	12,251,521
Deferred Expenditure	148,000	(88,800)	59,200
<i>Total Property, Plant and Equipment and Deferred Expenditure</i>	20,636,996	(8,316,275)	12,320,721

Property, Plant and Equipment Reconciliation  
(including deferred expenditure)

	Year to 30-Jun-14 WST	Year to 30-Jun-13 WST
Balance as at the beginning of period	12,320,722	12,730,005
Plus:		
Additions	535,326	1,154,044
Less:		
Disposals	-	(608,465)
Depreciation and Amortisation	(944,669)	(1,024,863)
Balance as at the end of year	11,911,379	12,320,722

NOTES TO THE FINANCIAL STATEMENTS (Continued)FOR THE YEAR ENDED 30 JUNE 201413 INTERCOMPANY ADVANCES

Amount owing from Polynesian Airlines (Investments) Limited

30-Jun-14 WST	30-Jun-13 WST
4,063,461	5,006,051

14 RELATED PARTIES

(a) Transactions with the following related parties occurred during the year:

Related Party	Nature of Relationship	Transactions during year	30-Jun-14 WST	30-Jun-13 WST
Government of Samoa	Ultimate Parent	Capital funding received	1,000,000	1,000,000
		Dividend payment made	0	44,356
Polynesian Airlines (Investments) Limited	Parent	Payments made on behalf	838,812	947,448
		Revenue received on behalf	1,631,340	1,146,493

Balances at 30 June 2014 in relation to the above transactions are disclosed in note 5 and 13.

(b) Balances due from/to other related parties are disclosed in Notes 6, 7, 10 &amp; 11.

(c) Dividend declared for the year

0 59,785

(d) Fees paid for directors and meeting expenses during the year - see also Note 2(c)

52,742 65,012

(e) Annual salaries &amp; other short-term benefits for key management personnel

1,218,067 1,331,752

The remuneration of directors and the chief executive officer is determined by Cabinet and or the board of directors.

The Company had 114 employees at 30 June 2014 (30 June 2013: 117).

15 ULTIMATE PARENT AND OTHER INFORMATION

Polynesian Limited is a company incorporated in Samoa. Its registered office is the NPF Building, Bosch Road, Apia, Samoa. The Company operates passenger and cargo carriage services within the South Pacific from its base in Apia, Samoa. In addition, it has an aircraft ground handling operation in Apia as well as doing general sales agency activities on behalf of other airlines.

The parent company is Polynesian Airlines (Investments) Limited, and the ultimate parent is the Government of Samoa.



NOTES TO THE FINANCIAL STATEMENTS (Continued)FOR THE YEAR ENDED 30 JUNE 201416 FINANCIAL INSTRUMENTS(a) Credit Risk

Financial Instruments which potentially subject the Company to credit risk, principally consist of cash, money market deposits, trade and other debtors.

All cash items are placed with financial and other institutions of good repute in Samoa and elsewhere. Exposure to any one institution is not considered to present any serious risk to the Company at the present time. The Company has a concentration of credit risk with certain related parties and through its cash deposits. The directors do not consider this to present any serious risk to the Company at the present time.

Credit evaluations are performed on all major customers requesting credit terms. No significant concentration of credit risk exists within trade and other debtors.

(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 rates 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:

		<u>Maturity / repricing</u>	<u>Interest rates</u>
	Jun-14		
Cash/Deposit		Floating rate	.75% to 4.50%
Overdraft		Floating rate	12% to 14%
Interest-Bearing Loan		April 2018	5.06%
	Jun-13		
Cash/Deposit		Floating rate	.75% to 3.25%
Overdraft		Floating rate	12% to 14%
Interest-Bearing Loan		April 2018	5.06%

(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 with financial institutions on the day of the transaction.

17 GOVERNMENT CAPITAL ADVANCES

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)FOR THE YEAR ENDED 30 JUNE 201418 EARNINGS PER SHARE

The calculation of earnings per share at 30 June 2014 is based on the net profit attributable to ordinary shareholders of \$1,823,254 (June 2013: \$1,345,768) and a weighted average number of ordinary shares outstanding during the year ended June 2014 of 5,000,000 (June 2013: 5,000,000) calculated as follows:

	30-Jun-14 WST	30-Jun-13 WST
Net profit attributable to ordinary shareholders	1,823,254	1,195,705
Weighted average number of ordinary shares	5,000,000	5,000,000
Basic / diluted earnings per share	0.36	0.24

19 FOREIGN CURRENCIES

Major Exchange Rates:

	30-Jun-14 WST	30-Jun-13 WST
USD1.00	2.24833	2.28827
NZD1.00	1.92856	1.85934
AUD1.00	2.08227	2.22933
TOP1.00	1.25415	1.33339

20 OPERATING LEASE COMMITMENTS

Non cancellable operating lease rentals for company offices are payable as follows:

	30-Jun-14 WST	30-Jun-13 WST
Not later than one year	317,388	238,963
Between one and two years	-	-
Between two and five years	-	-
Greater than five years	-	-
Total operating lease commitments	317,388	238,963

21 SEGMENTAL INFORMATION

The company operates predominantly in one region in the South Pacific and in one business segment, the airline industry.

22 CAPITAL COMMITMENTS

There were no capital commitments as at 30 June 2014 (June 2013: Nil).