SAMOA LIFE ASSURANCE CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

SAMOA LIFE ASSURANCE CORPORATION
Financial Statements
For the year ended 30 June 2014

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

Leiataua Alden S. Godinet
General Manager

Theresa Utai
Finance & Administration Manager

Date:______________________

The Directors present their report together with the financial statements of Samoa Life Assurance Corporation ("the Corporation") for the year ended 30 June 2013 as set out on the accompanying pages and the auditors' report thereon in accordance with the Public Finance Management Act and the Public Body Performance and Accountability Act.

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

Ulu Vaomalo Ulu Kini	(Chairperson)
Auseugaefa Poloma Komiti	(Public Representative)
Tamaseu Leni Warren	(Public Representative)
Faleomavaega Vincent Fepuleai	(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 2014;

(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 2014.

Operating Results
The total profit for the year is $2,063,682 (2013: $517,353) which is after income tax expense of $230,232 (2013: $220,864).

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______________ , 2014.

Signed in accordance with a resolution of the Directors.

______________________ ______________________________

DIRECTOR **DIRECTOR**

Independent Auditors Report
To the Controller and Chief Auditor

We have audited the accompanying financial report of Samoa Life Assurance Corporation, which comprises the statement of financial position as at 30 June 2013, the statements of financial performance, cash flows and changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

The Responsibility of the Board of Directors for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

In our opinion, the financial report gives a true and fair view of the financial position of Samoa Life Assurance Corporation as of 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BETHAM & CO.
Certified Public Accountants

Apia,

Date:

SAMOA LIFE ASSURANCE CORPORATION
Statement of Financial Performance
For the year ended 30 June 2014

	Notes	2014	2013
			$
Revenue from operations			
Net premium revenue	5	6,255,104	5,997,399
Investment income	6	2,939,189	2,861,885
Other income	7	1,087,444	564,857
Net operating revenue		**10,281,737**	**9,424,141**
Claims and operating expenses			
Administration expenses	8	910,115	799,974
Audit fees		30,000	30,000
Claims	9	4,400,794	5,758,914
Commission		481,876	489,401
Depreciation	15	229,334	218,097
Directors fees and costs	26	146,917	129,210
Interest on superannuation	24	156,822	238,239
Personnel costs	10	1,629,554	1,461,474
Net claims and operating expenses		**7,985,412**	**9,125,309**
Profit before income tax		2,296,325	298,832
Income tax expense	11	(230,232)	(220,864)
Net profit after tax		**2,066,093**	**77,968**
Share of profits from Investment in Associate	14	(2,411)	439,385
Total profit		**2,063,682**	**517,353**

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

SAMOA LIFE ASURANCE CORPORATION
Statement of Financial Position
As at 30 June 2014

	Notes	2014	2013
		$	**$**
ASSETS			
Property, plant and equipment	15	3,657,921	3,710,685
Loans on policies	12 (i)	14,128,492	13,221,857
Mortgaged lending	12 (ii)	3,418,191	3,312,491
Equity investments	13	4,083,196	1,733,540
Investments in associates	14	1,615,441	1,617,852
Accounts receivable	18	860,300	775,108
Other receivables and prepayments	19	776,656	631,431
Income tax receivable		439,439	377,350
Funds on deposit	17	9,144,721	11,445,295
Cash at bank	16	713,865	381,158
Total assets		**38,838,222**	**37,206,767**
LIABILITIES, FUNDS AND RESERVES			
Liabilities			
Insurance liabilities	20	505,893	375,300
Other payables and accruals	21	204,843	208,414
Total liabilities		**710,736**	**583,714**
Funds and reserves			
Assurance fund	22	34,896,839	32,683,156
Mortality and contingency reserve fund	23	1,100,000	1,100,000
Superannuation plan fund	24	1,889,896	2,449,146
Property revaluation reserve	25	240,751	390,751
Total funds and reserves		**38,127,486**	**36,623,053**
Total liabilities, funds and reserves		**38,838,222**	**37,206,767**

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 2014

	Note	Assurance Fund	Mortality & Contingency Reserve Fund	SLAC Superannuation Plan Fund	Property Revaluation Reserve	Total
Balance as at 1 July 2012		32,015,804	1,100,000	2,681,060	540,751	**36,337,615**
Net profit after tax	22	517,353				517,353
Transfer between Assurance Fund and Property Revaluation Reserve	22, 25	150,000			(150,000)	-
Transfer between Assurance Fund and Mortality & Contingency Reserve	22, 23					-
Transfer from Land & Building						
Plus Superannuation contributions	24			194,835		194,835
Plus Superannuation interest credited	24			238,239		238,239
Less Superannuation payments and other charges	24			(664,988)		(664,988)
Balance as at 30 June 2013		**32,683,157**	**1,100,000**	**2,449,145**	**390,751**	**36,623,053**
Total Profit	22	2,063,682				2,063,682
Transfer between Assurance Fund and Property Revaluation Reserve	22, 25	150,000			(150,000)	-
Plus Superannuation contributions	24			114,493		114,493
Plus Superannuation interest credited	24			156,822		156,822
Less Superannuation payments and other charges	24			(830,564)		(830,564)
Balance as at 30 June 2014		**34,896,839**	**1,100,000**	**1,889,896**	**240,751**	**38,127,486**

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 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Cash received from customers		13,408,717	13,267,314
Cash paid for commission, reinsurance, claims, loans supplies and employees		(16,013,727)	(17,279,238)
Income taxes paid		(292,321)	(250,942)
Miscellaneous receipts		1,194,076	725,641
Net cash inflow/(outflow) from operating activities		**(1,703,255)**	**(3,537,225)**
Cash flows from investing activities			
Purchase of fixed assets		(176,570)	(46,750)
Interest received		1,961,461	2,267,367
Dividends received		251,072	724,522
Net cash inflow/(outflow) from investing activities		**2,035,963**	**2,945,139**
Net increase/(decrease) in cash and cash equivalents		332,708	(592,086)
Cash and cash equivalents at beginning of year		381,157	973,244
Cash and cash equivalents at end of year		**713,865**	**381,158**
Represented by:			
Cash on hand	16	170	170
Cash at bank	16	713,695	380,988
		713,865	**381,158**

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

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 chief executive officer of the Ministry of Finance. The Board also comprises the chief executive officers of other public beneficial bodies and appointed public representatives.

The Corporations 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 __________, 2014

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

l. Cash and cash equivalents

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

m. Receivables

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

n. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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.

For defined contribution plans, the Corporation pays contributions to their Superannuation Fund on a mandatory basis. Employees who have worked for the Corporation for 3 years are entitled to this benefit. The contributions depend on factors such age, sex and salary.

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.

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 compromises 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.
The comparative amounts have been restated to reflect the adoption of the equity method.
Comparative figures prior to 2010 have not been restated to reflect this policy change as it is no longer relevant or practicable to do so.

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.

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:

	2014 $	2013 $
Gross premium revenue	6,423,104	6,247,429
less: outwards reinsurance expense	(168,000)	(250,030)
Net premium revenue	**6,255,104**	**5,997,399**

6. Investment income

Details of investment income are specified as follows:

	2014 $	2013 $
Interest received:		
Term deposits	446,998	417,950
Government Treasury Bonds	26,499	25,393
Mortgage loans	381,260	381,617
Loan on policies	1,606,900	1,546,309
Staff advances	20,663	17,324
Unit Trust of Samoa	12,466	12,539
CSL Mobile	-	-
	2,494,786	2,401,132
Dividend income	251,071	206,946
Rent Income	193,332	253,807
Total investment income	**2,939,189**	**2,861,885**

7. Other income

Details of other income are specified as follows:

	2014 $	2013 $
Loan Administration Fees	272,591	257,283
Superannuation Administration Fees	10,468	14,978
Exchange Gains/(Losses)	65,822	(10,530)
Penalty Charge on Arrears	76,124	87,595
Policy Service Fees	12,500	16,783
Mortgage Application Fees	-	600
Loans Maintenance Fees	148,983	157,548
Gain on Revaluation of Shares	499,656	39,300
Other Sundry Income	1,300	1,300
Total other income	**1,087,444**	**564,857**

8. Administration expenses

Details of administration expenses are specified as follows:

	2014 $	2013 $
Actuarial fees - Valuation, product and system development	105,229	96,623
	105,229	96,623
Data processing - Data entry	28,652	17,448
Other administration expenses	776,234	685,903
Total administration expenses	**910,115**	**799,974**

9. Claims expenses

Details of claims expenses are specified as follows:

	2014 $	2013 $
Death claims	212,800	212,868
Surrender claims	1,484,719	2,046,098
Maturity claims	2,703,275	3,499,948
Total claims expense	**4,400,794**	**5,758,914**

10. Personnel costs

Details of personnel costs are specified as follows:

	2014 $	2013 $
Gross salaries and wages	1,495,305	1,244,651
Accident compensation commission	18,890	16,683
National provident fund	96,445	90,063
Superannuation	18,914	110,077
Total	**1,629,554**	**1,461,474**

The average number of persons employed during the year is 52 (2013: 59).

11. Income tax

Details of income tax are specified as follows:

	2014 $	2013 $
Investment income	2,939,189	3,461,884
Less: Dividend income (non-taxable)	(251,071)	(806,946)
	2,688,118	2,654,938
Less: Allowable deductions	(385,797)	(446,292)
Taxable income	2,302,321	2,208,646
Income tax expense at 10%	**230,232**	**220,864**

12. Loans on policies and mortgages

Details of financial assets are specified as follows:

	2014 $	2013 $
(i) Loans on policies:		
Opening balance	13,221,857	13,302,541
Plus: New loans during the year	5,344,301	4,827,073
Interests charged during the year	1,480,525	1,403,528
	20,046,683	19,533,142
Less: Repayments during the year	(5,918,191)	(6,311,285)
	14,128,492	**13,221,857**

Maturity analysis for loans on policies is found in Note 27

Related Party Loans:
The above includes loans on policies by staff of $76,165 (2013 $86,990) at 30 June 2014.

	2014 $	2013 $
(ii) Mortgages:		
Opening balance	3,437,491	3,412,213
Plus: Advances during the year	542,336	522,069
Interests charged during the year	381,260	381,617
Mortgage Clearing Account	75,000	
	4,436,087	4,315,899
Less: Repayments during the year	(892,896)	(878,408)
Provision for loan losses	(125,000)	(125,000)
	3,418,191	**3,312,491**

Maturity analysis for mortgages is found in Note 27

Related Party Mortgages:
The above includes mortgage loans by staff of $1,799,077 (2013 $1424,650); mortgage loans by directors of $nil (2013 $nil) at 30 June 2014

13. Investments

Details of equity investments are specified as follows:

	2014 $	2013 $
Equity Investment		
National Pacific Insurance Limited (5% shares)	388,540	388,540
Computer Services Limited (19% shares)	325,000	325,000
Other Investment:		
UTOs Convertible note	250,000	250,000
Gov.t Treasury Bond	400,000	400,000
Unit Trust of Samoa (1,875,625 shares)	2,719,656	1,020,000
Total equity investments	**4,083,196**	**2,383,540**

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).

14. Investment in associates

	2014 $	2013 $
Beginning Balance	1,617,852	1,778,467
Shares of profit/loss	(2,411)	439,385
Dividend received 2014	-	(600,000)
Total investment in associates	**1,615,441**	**1,617,852**

ASSURANCE FUND

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.

	2014 $	2013 $
Assets		
Current assets	640,030	732,188
Non-current assets	4,404,519	5,114,016
	5,044,549	**5,846,204**
Liabilities		
Current liabilities	147,715	206,171
Non-current liabilities	4,714,951	5,826,022
	4,862,666	6,032,193
Net assets	**181,883**	**(185,989)**
Income	46,118	2,064,543
Expenses	54,155	599,926
Profit/Loss after income tax	**(8,037)**	**1,464,617**

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

15. Property, plant and equipment

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

	Owner occupied land	Owner occupied property	Office furniture & equipment	Motor vehicles	Generator & spare parts	**Total**
GROSS CARRYING AMOUNT						
Revaluation 1 July 2011	1,145,000	3,374,676	951,071	255,000	168,205	**5,893,952**
Plus revaluation	100,000	200,000				**300,000**
Additions			24,492			**24,492**
Disposals			(586,768)			**(586,768)**
Balance as at 30 June 2012	**1,245,000**	**3,574,676**	**388,795**	**255,000**	**168,205**	**5,631,676**
Plus revaluation						**-**
Additions			46,749			**46,749**
Disposals						**-**
Balance as at 30 June 2013	**1,245,000**	**3,574,676**	**435,544**	**255,000**	**168,205**	**5,678,425**
Plus current revaluation						**-**
Additions			176,570			**176,570**
Disposals						**-**
Balance as at 30 June 2014	**1,245,000**	**3,574,676**	**612,114**	**255,000**	**168,205**	**5,854,995**
ACCUMULATED DEPRECIATION						
Opening balance 1 July 2012		1,277,543	234,833	69,062	168,205	**1,749,643**
Disposals						
Depreciation charge for the year		65,795	88,552	63,750		**218,097**
Balance as at 30 June 2013	**-**	**1,343,338**	**323,385**	**132,812**	**168,205**	**1,967,740**
Disposals						**-**
Depreciation charge for the year		55,783	109,801	63,750	-	**229,334**
Balance as at 30 June 2014	**-**	**1,399,121**	**433,186**	**196,562**	**168,205**	**2,197,074**
Net book value 30 June 2013	**1,245,000**	**2,231,338**	**112,159**	**122,188**	**-**	**3,710,685**
Net book value 30 June 2014	**1,245,000**	**2,175,555**	**178,928**	**58,438**	**-**	**3,657,921**

16. Cash and cash equivalents

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

	2014 $	**2013** $
Petty Cash	170	170
Bank balances	713,695	380,988
Total cash and cash equivalents	**713,865**	**381,158**

Included in the bank balances are Bank of New Zealand bank account denominated in New Zealand Dollars (equivalent to $525,153 tala: 2013$260,408 tala) and Westpac Banking Corporation account denominated in Australian dollars (equivalent to $4792 tala: 2013 $3528 tala) at 30 June 2014.

17. Funds on deposit

Details of funds on deposit are specified as follows:

	2014 $	2013 $
Cash term deposits with commercial banks	9,144,721	10,795,295
Total funds on deposit	**9,144,721**	**10,795,295**

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:

	2014 $	2013 $
Premiums in arrears	786,104	696,263
Penalty charges on premium arrears	74,196	78,845
Total accounts receivable	**860,300**	**775,108**

Premiums which are less than 3 months past due are not considered impaired. The above includes premiums of $494,443 (2013 $673,595) 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:

	2014 $	2013 $
Accrued interest from investments	411,634	325,621
Others	365,022	305,810
Total other receivables & prepayments	**776,656**	**631,431**

20. Insurance liabilities

Details of insurance liabilities are specified as follows:

	2014 $	2013 $
Premiums overpaid	197,503	112,819
Maturities, surrenders and death claims not paid	233,390	262,481
Mortgage Clearing Account	75,000	
Total insurance liabilities	**505,893**	**375,300**

21. Other payables and accruals

Details of other payables and accruals are specified as follows:

OTHER PAYABLES AND ACCRUALS			
	2014		**2013**
	$		**$**
Provision for audit fees	5,480		16,051
Other creditors	199,363		192,363
Total accounts payable	**204,843**		**208,414**

22. Assurance fund

Details of assurance fund are specified as follows:

	2014	2013
	$	$
Opening balance	32,683,157	32,015,804
Plus: Current year's net profit	2,063,682	517,353
Transfer from Property Revaluation Reserve	150,000	150,000
	34,896,839	32,683,157
Less: Transfer to Mortality & Contingency Reserve	-	-
Closing balance	**34,896,839**	**32,683,157**

23. Mortality and contingency reserve fund

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

	2014	2013
	$	$
Opening balance	1,100,000	1,100,000
Closing balance	**1,100,000**	**1,100,000**

24. Superannuation plan fund

Details of superannuation plan fund are specified as follows:

	2014		**2013**
	$		**$**
Members funds at beginning	2,449,145		2,681,060
Add: Contributions	114,493		194,835
Interests credited	156,822		238,239
	2,720,460		3,114,134
Less: Payments and other charges	(830,564)		(664,988)
Closing balance	**1,889,896**		**2,449,146**

25. Property revaluation reserve

Details of property revaluation reserve are specified as follows:

	2014	2013
	$	$
Opening balance	390,751	540,751
Add: Transfer from Land and Buildings	-	
Less: Transfer to Assurance Funds	(150,000)	(150,000)
Closing balance	**240,751**	**390,751**

The latest valuation was done in 2012 by an independent valuer.

26. Directors and executive management compensation

i. *Directors*

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

	2014	2013
		$
Directors fees	37,610	46,850
Sitting allowances	79,705	42,493
Catering expenses	20,155	11,361
Xmas gifts	2,502	3,089
Training expenses	770	1,160
Membership fees	6,000	6,000
Gifts for funerals		17,000
Hospital visits	175	1,257
Total directors fees and expenses	**146,917**	**129,210**

Directors appointed from Government Corporations and Ministries do not receive directors' fee or sitting allowances. Government regulations specify that directors fees are $6,500 per annum and the sitting allowances are $250 per meeting per member.

ii. *Key management personnel costs*

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

	2014	2013
	$	$
Salaries and short-term employment benefits	373,833	301,293
Employers contribution to:		
National provident fund	37,309	25,277
Accident compensation commission	7,462	2,528
Superannuation	5,549	26,932
Total key management personnel costs	**424,153**	**356,030**

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 2014. 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 $ 135.1 million 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:

		2014 $'000	2013 $'000
Policyholder Funds as per accounts		37,889	36,232
Owner-occupied land and property revaluation recognised		150	150
		38,039	36,382
Less value of liabilities:	Life policies	(29,021)	(27,523)
	Superannuation	(1,890)	(2,449)
Less existing mortality and contingency reserve		(1,100)	(1,100)
Net surplus at 30 June 2014		6,028	5,310

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.

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. As reinsurance premiums are payable on a monthly basis, 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 reinsurance company which is based in Australia is regulated by APRA and industry regulators in other jurisdictions and has a strong credit rating (AA-: Standard & Poor's).

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:

	2014 **\$** **SAT**	**2013** **\$** **SAT**
Exposure to Austalian dollars	159,264	158,439
Exposure to New Zealand dollars	1,105,003	1,127,243
	1,264,267	1,285,682

At 30 June 2014, 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 $1,264,016 (2013: $804,162) higher or $1,228,295 (2013:$576,477) lower, mainly as a result of foreign exchange gains/losses on translation of $NZ dollar-denominated financial assets.

At 30 June 2014, 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 $1,346,309 (2013: $716,107) higher or $1,123,334 (2013:$684,099) lower, mainly as a result of foreign exchange gains/losses on translation of $AUS dollar-denominated financial assets.

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

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

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

	Weighted Average Interest rate	Within 1 year	Between 2-5 years	Over 5 years	Total
2014					
Loans on policies	12.00%	400,000	13,728,492	-	14,128,492
Mortgages	12.50%	531,654	1,514,480	1,372,057	3,418,191
Funds on deposits	3.50%	9,144,721	450,000	200,000	9,794,721
Net total		**10,076,375**	**15,692,972**	**1,572,057**	**27,341,404**

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 2014 is as follows:

	2015	**2016-2019**
	$	$
Opening balance for the period	340,000	210,000
Operating proceeds	15,175,000	60,700,000
Operating cash outflows	(17,414,000)	(69,656,000)
Cash outflow for investments	(90,000)	(360,000)
Proceeds from sale of investments	2,199,000	8,796,000
Closing balance for the period	210,000	(310,000)

(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

The board has approved a capital budget of $90,000 (2013: $171,000) as at 30 June 2014.

As at 30 June 2014, the Corporation had no contingent liabilities or assets (2013: $nil).

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 (2013: nil).