

**PACIFIC LIFE LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**  
**31 DECEMBER 2014**

**PACIFIC LIFE LIMITED**

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**PACIFIC LIFE LIMITED**

**DIRECTORY AND COMPANY INFORMATION**

<b><u>SHARE CAPITAL</u></b>	2,000,000 Ordinary Shares Fully Paid
<b><u>BUSINESS</u></b>	Life Insurance
<b><u>SHAREHOLDERS</u></b>	Richard H Taylor Pravir A Tesiram 2,000,000 Shares (As Trustees of McNicoll Family Trust)
<b><u>DIRECTORS</u></b>	Donald McNicoll Murray A Hilder N Darcy McNicoll Stuart B McNicoll
<b><u>BUSINESS ADDRESS</u></b>	Mainprice King Chartered Brokers Ltd 8 <sup>th</sup> Floor, Forsyth Barr Tower P O Box 1006 AUCKLAND
<b><u>ACTUARY</u></b>	Davies Financial & Actuarial Ltd
<b><u>AUDITORS</u></b>	Staples Rodway
<b><u>ACCOUNTANTS</u></b>	Hudson Kasper
<b><u>REGISTERED OFFICE</u></b>	The Offices of Hudson Kasper Level 2, Merial Building, Putney Way MANUKAU CITY

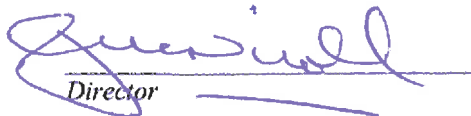
**PACIFIC LIFE LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present the annual report of Pacific Life Limited for the year ended 31 December 2014.

There are certain matters that the shareholders can determine not be disclosed in the annual report. The shareholders have unanimously agreed, under section 211(3) of the Companies Act 1993, to take advantage of that concession. The shareholders have agreed to limit the annual report to the following:

- Completed and signed financial statements.
- Audit Report.

*Signed for and on behalf of the Board of Directors:*

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

22nd April 2015  
\_\_\_\_\_  
Date

**PACIFIC LIFE LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b><u>Note</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>PREMIUMS AND CLAIMS</u></b>			
Premium Revenues		255,391	268,121
Reinsurance Expenses		(7,739)	(7,766)
Payments under Policies			
- Claims		(20,000)	(5,000)
- Benefits and Withdrawals		0	(100,000)
Commission Paid		(70,369)	(95,680)
Policy Maintenance Expenses		(15,008)	(15,460)
		<hr/>	<hr/>
<b><u>NET UNDERWRITING RESULT</u></b>		142,275	44,215
<b><u>INVESTMENT REVENUES</u></b>			
Investment Revenues		322,851	249,140
Investment Management Expenses		(85,436)	(64,867)
		<hr/>	<hr/>
Net Investment Activities	6	237,415	184,273
		<hr/>	<hr/>
<b><u>OTHER EXPENDITURE</u></b>	7	(213,957)	(150,912)
		<hr/>	<hr/>
<b><u>OPERATING (LOSS)/SURPLUS BEFORE MOVEMENT OF POLICY LIABILITIES AND TAXATION</u></b>		165,733	77,576
(Increase) / Decrease in Policy Liabilities	5b	(1,850)	134,176
Unrealised Net Change in Value of Investment Properties		(464,028)	522,117
		<hr/>	<hr/>
<b><u>OPERATING (LOSS)/SURPLUS BEFORE TAXATION</u></b>		(300,145)	733,869
Less Taxation (Expense)/Benefit for Year	8(i)	17,327	390,834
		<hr/>	<hr/>
<b><u>OPERATING (LOSS)/SURPLUS AFTER TAXATION</u></b>		<hr/> <hr/>	<hr/> <hr/>
		\$ (282,815)	\$ 1,124,703

These Statements are to be read in conjunction with the Notes to the Financial Statements on pages 8 to 27.

**PACIFIC LIFE LIMITED**

**CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

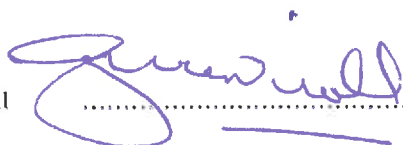
	<u>Note</u>	<u>2014</u>	<u>2013</u>
<b><u>EQUITY AT START OF YEAR</u></b>		7,982,328	6,857,625
		<hr/>	<hr/>
Operating Surplus/(Loss) after Taxation for Year		(282,815)	1,124,703
		<hr/>	<hr/>
Total Recognised Income & Expense for the Year		(282,815)	1,124,703
		<hr/>	<hr/>
<b><u>EQUITY AT END OF YEAR</u></b>	13	\$ <u>7,699,513</u>	\$ <u>7,982,328</u>

These Statements are to be read in conjunction with the Notes to the Financial Statements on pages 8 to 27.

**PACIFIC LIFE LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>Note</u>	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>			
Bank Accounts		1,455,940	1,089,206
Outstanding Premiums		23,239	23,912
Other Current Assets	10	40,380	21,531
Investments	9	6,262,876	6,906,036
Income Tax Receivable		218,673	219,769
Deferred Tax Benefit	8(ii)	48,692	30,808
Property, Plant and Equipment	12	2	404
<b><u>TOTAL ASSETS</u></b>		<b><u>\$ 8,049,802</u></b>	<b><u>\$ 8,291,666</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	11	125,110	86,008
Policy Liabilities	5a	225,179	223,329
<b><u>TOTAL LIABILITIES</u></b>		<b><u>350,289</u></b>	<b><u>309,337</u></b>
<b><u>EQUITY</u></b>	13	<b><u>7,699,513</u></b>	<b><u>7,982,328</u></b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>		<b><u>\$ 8,049,802</u></b>	<b><u>\$ 8,291,666</u></b>

For and on behalf of the Board

D McNicoll  
Director

Date:

22nd April 2015

M A Hilder  
Director

Date:

22nd April 2015

These Statements are to be read in conjunction with the Notes to the Financial Statements on pages 8 to 27.

**PACIFIC LIFE LIMITED****CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b><u>Note</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>OPERATING ACTIVITIES</u></b>			
Cash was Provided From:			
Premiums Received		256,064	269,338
Interest Received			
- Banks		31,936	30,205
- Debt Securities		55,268	55,639
Dividends Received		36,319	21,110
- Equity Securities			
Property Rents Received (Net)*		1,080	(11,558)
Income Tax Received		980	3,968
		<hr/>	<hr/>
		381,647	368,701
		<hr/>	<hr/>
Cash was Applied To:			
Reinsurance Expenses		(7,739)	(7,766)
Claims		(20,000)	(5,000)
Benefits and Withdrawals		0	(100,000)
Commission Payments		(70,369)	(95,680)
Policy Maintenance		(15,008)	(15,460)
Operating Expenses		(170,831)	(154,283)
		<hr/>	<hr/>
		(283,947)	(378,189)
		<hr/>	<hr/>
<b><u>Net Cash Inflow From Operating Activities</u></b>	<b>18</b>	<b>97,700</b>	<b>(9,488)</b>
		<hr/>	<hr/>
Cash was Provided from:			
Sale of Investments (Net)*		304,938	(32,657)
Sale of Operating Assets		451	0
		<hr/>	<hr/>
<b><u>Net Cash Inflow From Investing Activities</u></b>		<b>305,389</b>	<b>(32,657)</b>
		<hr/>	<hr/>
Carried Forward		403,089	(42,145)

\* Certain items have presented on a net basis in order to give more meaningful information.

These Statements are to be read in conjunction with the Notes to the Financial Statements on pages 8 to 27.



PACIFIC LIFE LIMITEDCONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014

	<u>2014</u>	<u>2013</u>
Brought Forward	403,089	(42,145)
<u>FINANCING ACTIVITIES</u>		
Cash was Provided from / (Applied) to:		
Director's Loan	(10,475)	3,131
<u>Net Cash Inflow/(Outflow) From Financing Activities</u>	(10,475)	3,131
<u>NET INCREASE/(DECREASE) IN CASH HELD</u>	392,614	(39,014)
Add Cash at Bank at Start of Year	1,089,206	1,101,902
Effect of Exchange Rate Changes on Foreign Currency Balances	(25,877)	26,318
<u>CASH AT BANK AT YEAR END</u>	<u>\$ 1,455,940</u>	<u>1,089,206</u>

**PACIFIC LIFE LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

1. **STATEMENT OF ACCOUNTING POLICIES**

**Reporting Entity**

Pacific Life Limited is a company registered under the Companies Act 1993.

The Group consists of Pacific Life Limited and its wholly owned subsidiary Mainprice King Limited.

Pacific Life Limited is not currently an issuer of new securities for the purposes of the Securities Act 1978. Pacific Life Limited holds a Full Licence in accordance with the provisions of the Insurance (Prudential Supervision) Act 2010. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The group financial statements of Pacific Life Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Financial Reporting Standard (FRS) No 34: "Life Insurance Business".

**Measurement Base**

The financial statements have been prepared in accordance with generally accepted accounting practices applicable to life insurance companies. All assets and liabilities are stated at valuation as described in the statement of specific accounting policies.

**Nature of Business**

The Company is a Life Insurance company operating in New Zealand.

2. **SPECIFIC ACCOUNTING POLICIES**

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

a. **Basis of Consolidation**

The consolidated financial statements include Pacific Life Limited and its subsidiary. Separate financial statements of the parent company have not been prepared as they are not materially different to the consolidated statements, (see Note 14 for details).

b. **Income Recognition**

- i. Premium income is recognised on an accruals basis.
- ii. Interest income is recognised on an accrual basis.
- iii. Rental income from the property is included in Investment Revenues and the expenses are included in Investment Management Expenses. The properties are managed by a property manager and only net income is paid to Pacific Life Limited.

**PACIFIC LIFE LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**2. SPECIFIC ACCOUNTING POLICIES – Continued**

**b. Income Recognition – Continued**

- iv. Investment income earned from overseas investments managed by Brewin Dolphin, Jersey is included in Investment Revenues. The fees are included in Investment Management Expenses.
- v. Unrealised gains/losses on investments are brought to account through the Statement of Financial Performance. They represent the difference between market value at the beginning and end of the current financial year.

Realised gains/losses on investments represent the difference between the market value at the beginning of the year and the sale price (or maturity amount).

**c. Expenses**

**i. Claims**

Claims are recognised as expenses in the Statement of Financial Performance.

Maturity claims are accounted for on the policy maturity date. Surrenders are accounted for when paid. Death claims and other claims are accounted for when the liability to the policyholder under the policy contract has been established.

**ii. Depreciation**

Operating Assets are depreciated on a straight line basis at rates between 20% to 60%.

**iii. Expenses**

All Expenses have been recognised as incurred. These have been apportioned as follows:

- Investment Management Expenses, include the expenses relating to the property investments and portfolio management fees for overseas investments.
- Policy Maintenance Expenses relate mainly to fees charged by the Actuary.
- Other Expenditure – all other management expenses.

**iv. Taxation**

Income tax expense has been calculated in accordance with the Life Insurance regime enacted in the Income Tax Act 2007.

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

**PACIFIC LIFE LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**2. SPECIFIC ACCOUNTING POLICIES – Continued**

**iv. Taxation - Continued**

Tax effect accounting has been applied on a comprehensive basis to all timing differences. A debit balance in the Deferred Tax Account, arising from timing differences, or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation. However, the tax benefits from income tax losses have been used to reduce the Deferred Tax Provision in respect to future tax payments arising from timing differences in the recognition of income for accounting and taxation purposes.

**v. Reinsurance**

The reinsurance agreements provide for partial indemnification of the Group by the reinsurers against loss or liability. Revenue and expense are recognised separately in the Statement of Financial Performance when they become due and payable in accordance with the reinsurance agreements.

Reinsurance recoveries for claims are recognised as part of reinsurance revenue. Reinsurance premiums are recognised as part of reinsurance expense.

**d. Valuation of Assets**

**i. Investments and Property**

The property is stated at the net market value at year end. Unrealised gains and losses are taken to the Statement of Financial Performance. Market value has been determined by advice received from the following registered valuer.

Carter Jonas London Residential Limited – United Kingdom (valuation as at 31 December 2014). The valuation undertaken was based upon fair value. The fair value represents the amount at which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in a arms length transaction at the date of the valuation.

The Directors consider the currently owned property to be held for investment purposes and accordingly it is not subject to periodic charges for depreciation.

Other investments are stated at their net market values at year end. Any unrealised gains and losses are taken to the Statement of Financial Performance.

**ii. Operating Assets**

Operating Assets are valued at cost, less accumulated depreciation.

**PACIFIC LIFE LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**2. SPECIFIC ACCOUNTING POLICIES – Continued**

**e. Liabilities**

**i. Policy Liabilities**

In accordance with the requirements of accounting standard FRS-34, the Group's policy liabilities are required to be valued by the Group's Actuary using the margin on services method of valuation (MoS). The policy liabilities as stated in the Statement of Financial Position have been calculated using the MoS basis. (See Notes 4 and 5).

**ii. Other liabilities recorded at cost.**

**f. Foreign Currency**

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction.

At balance date, foreign assets are translated at the closing rate and exchange variations arising from these translations are included in the Statement of Financial Performance.

**g. Goods and Services Tax (GST)**

Certain insurance products, such as Disablement Insurance, are subject to GST.

The Statements of Financial Performance and Statement of Cash Flows have been prepared exclusive of recoverable GST and inclusive of non-recoverable GST. The same treatment has been applied to the Statement of Financial Position except that receivables and payables include all GST where applicable.

**h. Financial Instruments**

Financial instruments including bank balances and investments, other assets and other liabilities have been entered into in the normal course of operating an insurance company.

Financial instruments are carried in the financial statements at their net market values. With the exception of outstanding premiums, the financial assets and investments of the Group are subject to credit risk. Financial assets are unsecured and do not require collateral.

Financial instruments are subject to risk that market values may change subsequent to their acquisition due to movements in interest rates.

**i. Statement of Cash Flows**

The following are the definitions of the terms used in the statement of cash flows:

- a. Operating activities include all transactions and other events that are not investing or financing activities.
- b. Investing activities are those activities relating to the acquisition, holding and disposal of operating assets and of investments.
- c. Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- d. Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

**PACIFIC LIFE LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

3. **CHANGES IN ACCOUNTING POLICIES**

There were no changes in accounting policies during the year. All policies are consistent with the previous year.

4. **POLICY LIABILITY MEASUREMENT**

a. **Determination of Policy Liabilities**

Life insurance liabilities are calculated using the Margin on Services (MoS) methodology in accordance with New Zealand Society of Actuaries Professional Standard 3 *Determination of Life Insurance Policy Liabilities* issued in December 1998.

b. **Overview of MoS Methodology**

MoS is designed to recognise profits on life insurance as services are provided to policyholders and income is received. Profits are deferred and amortised over the life of policies, whereas losses are recognised immediately as they arise. Policy services used to determine profit recognition for the Group are the costs of expected claims and the cost of supportable bonuses. The policy services for each product grouping that is used to defer and amortise the profit over the life of the policy, are called profit carriers. Policy liabilities are generally determined as the present value of all future expected net future cash-flows. In case of some business, policy liabilities are determined as the accumulated benefits to policyholders.

c. **MoS Profit**

MoS profit can be analysed into the following categories:

(i) **Planned Margins of Revenues over Expenses**

At the time of writing a policy and at each balance date, best estimate assumptions are used to determine all expected future payments and premiums. Where actual experience replicates best estimate assumptions, the expected profit margins will be released to profit over the life of the policy.

(ii) **The Difference Between Actual and Assumed Experience**

Experience profits/(losses) are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits/(losses) include variations in claims, expenses, mortality, discontinuance and investment returns.

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****4. POLICY LIABILITY MEASUREMENT (Continued)****(iii) Changes to Underlying Assumptions**

Assumptions used for measuring policy liabilities are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year. The financial effect of changes to the assumptions underlying the measurement of policy liabilities made during the reporting year are recognised in the Statement of Financial Performance over the future reporting years during which services are provided to policyholders.

**(iv) Loss Recognition on Groups of Related Products**

Based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the whole expected loss for that related product group is recognised in the Statement of Financial Performance immediately. When loss making business becomes profitable, previously recognised losses are reversed immediately.

**(v) Investment Earnings on Assets in Excess of Policy Liabilities**

Profits are generated from investment assets which are in excess of those required to meet policy liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profit will vary from year to year.

	<u>2014</u>	<u>2013</u>
<b>(vi) <u>Sources of Profit</u></b>		
The Operating (Loss)/Surplus of	\$ (282,815)	1,124,703
contains the following components:		
a. Surplus related to movement in policy liabilities:		
- Planned margins of revenues over expenses	982	28,058
- The difference between actual and assumed experience	(110,502)	594,841
- Effect of changes to underlying assumptions	(8,417)	10,058
b. Investment earnings on assets in excess of policy liabilities	(164,878)	491,746
Operating Profit	\$ (282,815)	1,124,703

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****5. POLICY LIABILITIES**

a. <u>Policy Liabilities</u> contain the following components:	<b><u>2014</u></b>	<b><u>2013</u></b>
Present value of:		
- Future policy benefits (including tax thereon)	143,193	142,819
- Future expenses	39,296	40,650
- Future net premiums (net of reinsurance)	25,941	24,838
- Planned profit margins	16,749	15,022
	<hr/>	<hr/>
Policy Liabilities at Year End	\$ <u>225,179</u>	\$ <u>223,329</u>
b. <u>Increase in Policy Liabilities</u>		
Value at end of year	225,179	223,329
Value at beginning of year	223,329	357,505
	<hr/>	<hr/>
(Decrease)/Increase for year	\$ <u>1,850</u>	\$ <u>(134,176)</u>

**6. INVESTMENT INCOME**

	<b><u>Total</u></b>	<b><u>Banks</u></b>	<b><u>Equity Securities</u></b>	<b><u>Debt Securities</u></b>	<b><u>Properties</u></b>
<b><u>31 December 2014</u></b>					
Income Earned	110,472	31,102	36,760	55,268	(12,658)
Realised Gains					
on Sales	0	0	0	0	0
Unrealised (Losses)/					
Gains	126,997	0	140,999	(14,000)	see note below
Exchange Losses	(51)	(3)	(48)	0	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ <u>237,415</u>	\$ <u>31,099</u>	\$ <u>177,712</u>	\$ <u>41,268</u>	\$ <u>(12,658)</u>
Interest Revenue	86,370				
Dividend	36,760				
Other Revenue	<u>(12,658)</u>				
	<hr/>				
	\$ <u>110,469</u>				

Note: There was an unrealised loss in the value of an Investment property of (\$464,028).



**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****6. INVESTMENT INCOME - Continued**

	<u>Total</u>	<u>Banks</u>	<u>Equity Securities</u>	<u>Debt Securities</u>	<u>Properties</u>
<b><u>31 December 2013</u></b>					
Income Earned	122,366	29,083	21,688	55,639	15,956
Realised Gains					
on Sales	0	0	0	0	0
Unrealised (Losses)/					
Gains	61,458	0	82,258	(20,800)	see note below
Exchange Losses	449	29	420	0	0
	<u>\$ 184,273</u>	<u>\$ 29,112</u>	<u>\$ 104,366</u>	<u>\$ 34,839</u>	<u>\$ 15,956</u>
Interest Revenue	84,722				
Dividend	21,688				
Other Revenue	15,956				
	<u>\$ 122,366</u>				

Note: There was an unrealised gain in the value of an Investment property of \$522,117.

**7. OTHER EXPENDITURE**

<u>Other Expenditure includes:</u>	<u>2014</u>	<u>2013</u>
Audit Fees	18,652	25,902
Other Assurance Related Services	1,440	3,044
Depreciation of Operating Assets	402	635
Depreciation of Investment Chattels	693	855
Loss on Sale of Fixed Assets	451	0

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u>	<u>2013</u>
8. <b><u>TAXATION</u></b>		
(i) <b><u>Taxation (Benefit)/Expense</u></b>		
<b><u>Operating (Loss)/Profit For Year Before Taxation</u></b>	\$ (300,142)	\$ 733,869
<b><u>Net Taxable Profit for Year</u></b> before timing differences but after permanent differences	(53,431)	(34,526)
Income Tax Losses brought forward from prior years	(110,029)	(75,503)
Other Adjustments re Previous year	(10,438)	0
Profit (Losses available to Parent Company)	(173,898)	(110,029)
Income Tax Losses available - wholly owned subsidiary	0	0
<b><u>Total Taxable Profit (Losses)</u></b>	\$ (173,898)	\$ (110,029)
<b><u>Total Losses available to be Carried Forward to Future Years (Note - see below)</u></b>		
<b><u>Future benefit losses calculated at company income tax rate of 28 c in \$</u></b>	\$ 48,692	\$ 30,808
<b><u>Policyholder Base</u></b>		
<b><u>Taxable Profit (Losses)</u></b>	414	1,414
<b><u>Provision for Taxation</u></b>		
Tax charge current year at 28 c in \$ Shareholder Base	0	0
Tax charge current year at 28 c in \$ Policyholder Base	116	396
Tax charge for previous year		
Overseas tax paid during the year not available as credit against New Zealand tax	441	578
Total Current Tax	557	974
Deferred Income Tax Provision Increase/(Reduction)	(17,884)	(391,808)
<b><u>Taxation (Benefit) for Year</u></b>	\$ (17,327)	\$ (390,834)

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b><u>2014</u></b>	<b><u>2013</u></b>
8. <b><u>TAXATION - Continued</u></b>		
(ii) <b><u>Deferred Income Tax/(Benefit)</u></b>		
Balance at beginning of Year	(30,808)	361,000
Current Year Timing Differences and adjustment in respect to future tax benefits from tax losses	<u>(17,884)</u>	<u>(391,808)</u>
<b><u>BALANCE AT END OF YEAR</u></b>	<b><u>\$ (48,692)</u></b>	<b><u>\$ (30,808)</u></b>
 (iii) <b><u>Imputation Credit Memorandum Account</u></b>		
Balance at beginning of Year	21,085	22,794
Taxation Payments Made		<u>(1,709)</u>
 <b><u>CREDIT BALANCE AT 31 DECEMBER</u></b>	<b><u>\$ 21,085</u></b>	<b><u>\$ 21,085</u></b>

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u>	<u>2013</u>
9. <b><u>INVESTMENTS</u></b>		
Banks	33,488	362,152
Equity Securities	1,043,325	905,477
Debt Securities	1,207,056	1,194,228
Properties	3,979,007	4,444,178
	<hr/>	<hr/>
	\$ <u>6,262,876</u>	\$ <u>6,906,035</u>
10. <b><u>OTHER CURRENT ASSETS</u></b>	<u>2014</u>	<u>2014</u>
Interest Receivable	6,351	7,185
Expenses Paid in Advance	26,259	14,346
Amount due by D McNicoll - Director (Note 16)	7,771	0
	<hr/>	<hr/>
	\$ <u>40,380</u>	\$ <u>21,531</u>
11. <b><u>ACCOUNTS PAYABLE</u></b>	<u>2014</u>	<u>2014</u>
Sundry Creditors	106,566	78,501
Amount due to D McNicoll - Director (Note 16)	0	2,704
UK Rent Received in Advance	18,541	4,803
	<hr/>	<hr/>
	\$ <u>125,110</u>	\$ <u>86,008</u>

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u>	<u>2013</u>
<b>12. <u>PROPERTY, PLANT AND EQUIPMENT</u></b>		
<u>Furniture, Fittings, Office Equipment</u>		
At Cost	3,965	3,965
Accumulated Depreciation	(3,963)	(3,561)
Net book amount - As per Statement of Financial Position	\$ <u>2</u> \$	<u>404</u>
Depreciation Expense	402	635
	<u>2014</u>	<u>2013</u>
<b>13. <u>EQUITY</u></b>		
<u>Issued Share Capital</u>		
2,000,000 Ordinary Shares fully paid up to \$1 per share	2,000,000	2,000,000
<u>Retained Earnings</u>		
Balance at end of the year	5,699,513	5,982,327
	\$ <u>7,699,513</u>	\$ <u>7,982,328</u>

Solvency Margin

Under the Reserve Bank of New Zealand Solvency Standard for Life Insurers, issued February 2012 \$3,356,770 is required as a Solvency Margin (2013: \$3,272,228) in accordance with Guidance Note no. 5 of the New Zealand Society of Actuaries regarding prudential reserving).

The Company has complied with its regulatory requirements during the year.

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****14. INVESTMENT IN SUBSIDIARY - Pacific Life Ltd**

	<u>2014</u>	<u>2013</u>
Mainprice King Limited - 100% Owned - Developer of Residential Sections, which were sold during 1998.		

**The statement of the position of the subsidiary at 31 December 2014 was:**

Share Capital at Cost	50,000	50,000
Advances Interest Free - due to subsidiary company by parent company	(4,413)	(4,413)
	<hr/>	<hr/>
	\$ 45,587	\$ 45,587
	<hr/>	<hr/>

The subsidiary company did not trade during the year ended 31 December 2014.

**15. FINANCIAL INSTRUMENTS****Credit Risk**

The maximum credit risk associated with each class of financial asset held by the Group is the carrying value plus committed undrawn facilities of \$9,246 (2013: \$33,000).

The Group pursues a policy of diversification in its investment portfolio and only invests in highly rated instruments. The Group believes that the risk of non-recovery of amounts due on financial assets is negligible.

The Group has a policy of reinsuring certain risks. The Group actively pursues a policy of minimising its exposure to significant individual risks or accumulation of risks through reinsurance. Under the Group's reinsurance risk management policy, the Group only reinsures with highly rated, internationally recognised reinsurance providers.

The Mortgage over the NZ property for \$485,000 together with a revolving credit facility for \$200,000 are secured by a first mortgage granted over the borrowers' interest in the property.

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****15. FINANCIAL INSTRUMENTS - Continued****Currency Risk**

The Group has exposure to foreign exchange risk as a result of investments denominated in foreign currencies. At balance date, such investments are revalued and the foreign currency is converted to New Zealand dollars at the rate of exchange ruling at balance date. The unrealised exchange variations thereon are included in the Statement of Financial Performance.

At balance date the following overseas bank accounts and investments were held:

	<u>2014</u>	<u>2013</u>
<b><u>United Kingdom (Pounds Sterling)</u></b>		
Property at Valuation	3,977,725	4,441,752
- Furnishings	1,282	2,426
UK Bank Accounts	145,322	131,886
Investments managed by Brewin Dolphin, Jersey		
- Amounts on Call	9,257	8,039
- Equities	123,744	127,712
Westpac NZ GBP Amounts on Call	655,494	691,908
	<u>\$NZ 4,912,822</u>	<u>\$NZ 5,403,723</u>
 <b><u>Euro</u></b>		
Investments managed by Brewin Dolphin, Jersey		
- Amounts on Call	7,704	8,320
Westpac NZ Euro Amounts on Call	167,005	181,010
	<u>\$NZ 174,709</u>	<u>\$NZ 189,330</u>

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****15. FINANCIAL INSTRUMENTS - Continued**

	<u>2014</u>	<u>2013</u>
<b><u>US Dollars</u></b>		
Investments managed by Brewin Dolphin, Jersey		
- Amounts on Call	11,909	8,772
- Equities	274,389	235,027
Westpac NZ USD Amounts on Call	13,651	13,175
	<u>\$NZ 299,949</u>	<u>256,974</u>

**Assumptions Used to Estimate the Fair Value of Each Class of Financial Instrument**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument as summarised in Note 9.

**Bank Term Deposits**

The fair value is the carrying value.

**Debt Securities****Government Securities, Company Debentures and Convertible Notes, Company****Shares**

The fair value of these investments is their net market value as at year end based on market prices of the individual assets.

**Advances on Policies**

The fair value of advances is considered to be their carrying value at year end.

**Investment Property**

The fair value of investment property is its net market value at year end as independently determined by Carter Jonas London Residential Limited – United Kingdom (valuation as at 31 December 2014). The valuation undertaken was based upon fair value. The fair value represents the amount at which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in a arms length transaction at the date of the valuation.



**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****15. FINANCIAL INSTRUMENTS - Continued****Interest Rate Risk**

Fixed interest financial assets are accounted for at market values. These values reflect the term to maturity and the differential between the instrument's coupon rate and that of the market. As these securities are carried at market value, the effect of interest rates within each maturity band approximates the market yields at balance date.

<u>Financial Assets</u>	<u>Interest Rate Range</u>	<u>2014</u>			
		<u>Financial Instrument</u> <u>Current</u>	<u>Maturity</u> <u>1-2 Yrs</u>	<u>2-5 Yrs</u>	<u>Over</u> <u>5 Yrs</u>
Cash in Bank -					
NZD	0.30%-3.25%	479,087	0	0	0
NZ - EURO	0.00%	167,005	0	0	0
NZ - GBP	0.00%	655,494	0	0	0
NZ - USD	0.00%	13,651	0	0	0
UK	0.00%	140,703	0	0	0
Call - Brewin Dolphin	0.00%-0.1%	28,870	0	0	0
Term Deposits					
NZ Dollar	0.00%	0	0	0	0
Australian Dollar	0.00%	0	0	0	0
<u>Debt Securities</u>					
Loans on Policies	10.00%	27,802	0	0	0
NZ Government Securities	6.00%	503,500		0	0
Investments Managed by					
Brewin Dolphin	0.00%	0	0	0	0
Mortgage over NZ					
Property Dale Rd	5.60%	485,000		0	0
Revolving Credit Facility					
over NZ Property Dale Rd	5.60%	190,754		0	0
<u>Equities</u>					
New Zealand	0.00%-9.74%	645,187	0	0	0
Investments Managed by - Brewin Dolphin	1.60%-3.30%	398,138	0	0	0
<u>Financial Liabilities</u>					
Payables	n/a	125,110	0	0	0
Policy Liabilities	n/a	225,179	0	0	0

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****15. FINANCIAL INSTRUMENTS - Continued**

<u>Financial Assets</u>	<u>Interest Rate Range</u>	<u>2013</u>			<u>Over 5 Yrs</u>
		<u>Financial Instrument Current</u>	<u>1-2 Yrs</u>	<u>2-5 Yrs</u>	
Cash in Bank -					
NZD	0.30%-2.55%	84,376	0	0	0
NZ - EURO	0.00%	181,010	0	0	0
NZ - GBP	0.00%	691,908	0	0	0
NZ - USD	0.00%	13,175	0	0	0
UK	0.00%	118,737	0	0	0
Call - Brewin Dolphin	0.00%-0.1%	25,131	0	0	0
Term Deposits					
NZ Dollar	3.00%-4.10%	323,872	0	0	0
Australian Dollar	0.00%	0	0	0	0
<u>Debt Securities</u>					
Loans on Policies	10.00%	24,370	0	0	0
NZ Government Securities	6.00%	0	517,500	0	0
Investments Managed by Brewin Dolphin	0.00%	0	0	0	0
Mortgage over NZ Property Dale Rd	5.60%	0	485,000	0	0
Revolving Credit Facility over NZ Property Dale Rd	5.60%	0	167,358	0	0
Mortgage over NZ Property - Victoria Rd	8.00%	0	0	0	0
<u>Equities</u>					
New Zealand Investments Managed by - Brewin Dolphin	0.00%-14.31%	542,733	0	0	0
Brewin Dolphin	1.60%-3.30%	362,744	0	0	0
<u>Financial Liabilities</u>					
Payables	n/a	86,009	0	0	0
Policy Liabilities	n/a	223,329	0	0	0

**PACIFIC LIFE LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**16. TRANSACTIONS WITH RELATED PARTIES**

Mr D McNicoll is a Director of Pacific Life Limited and one of the beneficiaries under the Trust which owns all of the shares in the Company. All transactions are on an arm's length basis.

Related Party Transactions are:

- a. The Group has advanced a loan for \$485,000 to the related party with interest at 5.6% pa (2013: 5.6%). The Loan is secured by a First Mortgage over the property.
- b. At 31 December 2014 there was an amount due by Mr McNicoll to the Group of \$7,771 (2013 \$2,704 due to D McNicoll by the Group).  
Interest is chargeable on any amounts due by him to the Group, at the prescribed rate for low interest loans for Fringe Benefit Tax purposes (5.90%-6.70% at 31 Dec 2014 - 5.90% 2013). No interest is payable by the Group on any amounts due to him.  
Any loan is repayable on demand.
- c. A Revolving credit facility agreement for \$200,000 was set up on 12 September 2007 with a related party of Mr McNicoll with interest at 5.6%pa (2013 5.60%) secured by existing registered mortgage referred to in clause a. above. As at 31 December 2014 \$190,754 (2013 \$167,358) has been drawn down.

**17. ACTUARIAL POLICIES AND METHODOLOGY**

The Actuarial Report on policy liabilities and solvency reserves was prepared by P Davies B.Bus.Sc, FIA as at 31 December 2014. The amount of policy liabilities has been determined in accordance with Professional Standard No 3 of the New Zealand Society of Actuaries.

The actuary is satisfied as to accuracy of the data from which the amount of policy liabilities has been determined.

- a. The discount rate used, net of tax on investment income was 2.64% per annum (2013: 3.39% per annum). The supportable bonus rate on with-profit business was retained at 1.6% of sums insured and existing reversionary bonuses. The policy liabilities increased by \$8,417 as a result of this change in assumptions.
- b. The profit carrier used for non-profit endowments and with-profit endowments and whole of life policies was the expected cost of claims.

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014****17. ACTUARIAL POLICIES AND METHODOLOGY** (Continued)

- c. The future maintenance and investment expenses used were based on recent investigations of the Group's experience. The long term expenses inflation rate used was 2.0% p.a. (2013: 2.0%).
- d. The assumed rate of company tax was 28% (2013: 28%).
- e. Mortality was assumed to be in accordance with the table of assured lives mortality, prepared by the New Zealand Society of Actuaries, known as NZ97.
- f. The assumed future rate of discontinuance was 5% p.a. (2013: 5%).
- g. The current surrender value formulae were assumed to be used in the future.
- h. For with profits policies the future supportable bonus rate assumed to be 1.6% p.a. (2013: 1.6%).
- i. The future supportable bonus rate assumed in (h) above matched the rate declared by the Group in recent years.
- j. There were no unit-linked benefits.
- k. Policy liabilities include an estimate of the accrued profit share under a significant group scheme.

**18. RECONCILIATION OF CASH FLOWS TO OPERATING SURPLUS**

	<u>2014</u>	<u>2013</u>
Operating Surplus/(Loss) for the Year after Taxation	(282,815)	1,124,703
<u>Non-Cash Items</u>		
Depreciation of Operating Assets	402	635
Depreciation of Investment Chattels	693	855
Unrealised (Gain) on Value of Investments	337,029	(583,574)
Exchange (Gains)/Losses in Value of Overseas Investments	51	(449)
(Decrease)/Increase in Deferred Tax	(17,884)	(361,000)
(Decrease)/Increase in Policy Liabilities	1,850	(134,176)
Exchange (Gains)/Losses re Bank Accounts	25,877	(26,318)
	<u>348,018</u>	<u>(1,104,027)</u>
<u>Impact of Changes in Net Current Assets, etc</u>		
(Increase)/Decrease in Outstanding Premiums	673	1,217
(Increase)/Decrease in other Current Assets	(11,079)	(8,350)
(Increase)/Decrease Income Tax Receivable	1,096	(26,445)
Increase/(Decrease) in Sundry Creditors	28,065	30,932
Increase/(Decrease) in UK Rent in Advance	13,738	(27,514)
	<u>32,493</u>	<u>(30,160)</u>
<u>Items Classified as Investing Activities</u>		
Realised Investment (Gains) Losses	0	0
	<u>0</u>	<u>0</u>
 <u>NET CASH INFLOW FROM OPERATING ACTIVITIES</u>	 <u>\$ 97,700</u>	 <u>\$ (9,488)</u>

**PACIFIC LIFE LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

19.	<b><u>CONTINGENT LIABILITIES</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
	Revolving credit facility (Note 16(c))	9,246	33,000

20. **EVENTS AFTER BALANCE DATE**

The Revolving credit facility (Note 16(c)) is to be increased from \$200,000 to \$400,000 (2013: \$Nil).

The directors have agreed in principle to the sale of the company. The shareholders have also agreed in principle. The required approvals from the Reserve Bank to the sale are presently being sought. It is possible that the sale will complete in April.

21. **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In December 2002 the New Zealand Accounting Standards Review Board announced that New Zealand International Financial Reporting Standards ("NZ IFRS") will apply to all New Zealand reporting entities for the periods commencing after 1 January 2007. The Company has delayed adopting these reporting standards due to meeting the size criteria for exemption. The Group therefore will continue to use the NZ Generally Accepted Accounting Practice (NZ GAAP).

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF PACIFIC LIFE LIMITED**

**Report on the Financial Statements**

We have audited the financial statements of Pacific Life Limited ('the Company') and its Subsidiary (together 'the Group') on pages 3 to 27, which comprise the Consolidated Statement of Financial Position of the Company and Group as at 31 December 2014, Consolidated Statement of Financial Performance, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows of the Company and Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Directors' Responsibility for the Financial Statements*

The Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or Group.

*Opinion*

In our opinion, the consolidated financial statements on pages 3 to 27:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of Pacific Life Limited and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from the Company and Group and whether we consider that proper accounting records have been kept by the Company and Group.

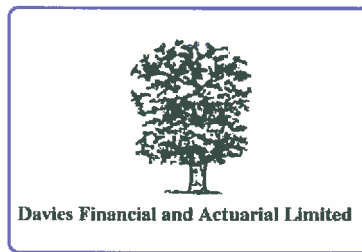
We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by the Company and Group as far as appears from our examination of those records.



**STAPLES RODWAY AUCKLAND  
CHARTERED ACCOUNTANTS  
AUCKLAND**

22 April 2015



16<sup>th</sup> April 2015

To: The Directors  
Pacific Life Limited

From: Peter Davies  
Appointed Actuary

**Re: Pacific Life Limited: Report as at 31<sup>st</sup> December 2014  
under Sections 77 and 78 of the Insurance (Prudential  
Supervision) Act 2010**

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for Pacific Life Limited as at 31<sup>st</sup> December 2014. "Actuarial information" includes the following:
  - policy liabilities;
  - solvency calculations in terms of the RBNZ Solvency Standard;
  - balance sheet and other information allowed for in the calculation of the company's solvency position; and
  - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.
2. No limitations have been placed on my work.



3. I am independent with respect to Pacific Life Limited as defined under professional standard ISA (NZ) 620 of the External Reporting Board.
4. I have been provided with all information that I have requested in order to carry out this review.
5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.
6. Pacific Life's solvency margin as at 31<sup>st</sup> December 2014 exceeded the solvency margin requirement of the RBNZ solvency standard for Life Insurers by a significant margin. The company is also projected to exceed the minimum requirement at all times over the next three years under the *status quo* scenario discussed in my Financial Condition Report. This is not a certification as to the Company's future solvency position should the Company be restructured and sold during this period, as that would require its own detailed analysis and depend on the particular circumstances of any such transaction.

I would be very happy to answer any queries concerning this report.

Yours sincerely



Peter Davies B.Bus.Sc., FIA, FNZSA  
Appointed Actuary