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Approval of Annual Report

The Directors are pleased to present the annual report, including the financial statements of Partners Life Limited (the Company) for the year ended 31 March 2013.

The Shareholder of the Company has exercised its right under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Board of Directors

I S Knowles
Chairman of Directors
1 August 2013

J M G Perry
Chairman of the Audit and Risk Committee
1 August 2013

Company Directory

As at 31 March 2013

Nature of Business	The provision and administration of life insurance and related products, including trauma insurance, disability insurance, total and permanent disability insurance and major medical insurance.
Registered Office	Level 1, 33-45 Hurstmere Road Takapuna Auckland 0740
Company Number	3072505
IRD Number	105-332-366
Directors	N E Ballantyne C L Coon B H Klap (Chairman - resigned Chairmanship 31 March 2013) P Chrystall (appointed 5 November 2012) I S Knowles (Chairman from 1 April 2013) J M G Perry R A Coon (resigned 5 November 2012)
Auditor	KPMG 18 Viaduct Harbour Avenue Auckland
Bankers	Westpac New Zealand Limited
Solicitors	Hesketh Henry 41 Shortland Street Auckland Chapman Tripp 23 Albert Street Auckland

Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	2013 $	2012 $
Premium revenue			
Premium revenue		38,371,363	7,984,237
Less: Outward reinsurance expense		(23,091,515)	(5,221,842)
Net premium revenue		**15,279,848**	**2,762,395**
Net commission revenue	8	62,848,846	45,100,041
Net investment revenue	9	433,246	74,187
Net revenue		**78,561,940**	**47,936,623**
Claims expense		11,751,162	1,008,714
Less: Reinsurance recoveries		(7,125,894)	(685,022)
Net claims expense	10	**4,625,268**	**323,692**
Net movement in insurance contract assets and liabilities	20	(23,688,548)	(9,513,000)
Commissions and operating expenses	11	88,935,273	57,260,408
Interest expense		153	568
Total expenses including movement in insurance contracts		**69,872,146**	**48,071,668**
Profit / (loss) before income tax		**8,689,794**	**(135,045)**
Income tax expense	12	3,719,548	2,051,000
Profit / (loss) for the year	7	**4,970,246**	**(2,186,045)**
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**4,970,246**	**(2,186,045)**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 March 2013

	Note	2013 $	2012 $
Assets			
Cash and cash equivalents	13	15,096,370	11,922,899
Trade and other receivables	14	4,875,234	2,366,046
Investments	15	515,721	534,600
Loans and receivables	16	679,761	1,217,830
Insurance contract assets	20	142,060,848	53,081,560
Property, plant and equipment	17	388,065	313,535
Intangible assets	18	2,910,900	2,107,183
Total Assets		**166,526,899**	**71,543,653**
Liabilities			
Trade and other payables	19	11,857,159	7,288,351
Deferred tax liabilities	12	5,770,548	2,051,000
Insurance contract liabilities - reinsurance	20	108,859,300	43,568,560
Total Liabilities		**126,487,007**	**52,907,911**
Net assets		**40,039,892**	**18,635,742**
Equity			
Share capital	21	38,428,996	21,995,092
Retained earnings / (loss)		1,610,896	(3,359,350)
Total Equity		**40,039,892**	**18,635,742**

For and on behalf of the Board who authorised the issue of this report on 1 August 2013

I S Knowles
Chairman of Directors

J M G Perry
Chairman of the Audit and Risk Committee

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 March 2013

	Note	Contributed capital $	Retained earnings / (loss) $	Total Equity
At 1 April 2011		**3,200,000**	**(1,173,305)**	**2,026,695**
Loss for the year		-	(2,186,045)	(2,186,045)
Total comprehensive income / (loss)		-	(2,186,045)	(2,186,045)
Transactions with owners of the Company:				
Shares issued	21	17,900,000	-	17,900,000
Other contributed capital:				
Equity settled share based payments	22	895,092	-	895,092
At 31 March 2012		**21,995,092**	**(3,359,350)**	**18,635,742**
At 1 April 2012		**21,995,092**	**(3,359,350)**	**18,635,742**
Profit for the year		-	4,970,246	4,970,246
Total comprehensive income		-	4,970,246	4,970,246
Transactions with owners of the Company:				
Shares issued	21	14,900,000	-	14,900,000
Other contributed capital:				
Equity settled share based payments	22	1,533,904	-	1,533,904
At 31 March 2013		**38,428,996**	**1,610,896**	**40,039,892**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 $	2012
Cash flows from operating activities			
Premium received		38,293,887	8,093,749
Reinsurance recoveries received		2,463,864	373,579
Commission received		62,587,648	41,671,183
Interest received		360,131	85,952
Tax refund received		-	5,363
Reinsurance premiums paid		(19,192,951)	(2,577,663)
Claims paid		(7,734,194)	(1,008,714)
Net commission paid to advisers		(61,677,043)	(39,070,389)
Payments to suppliers and employees		(25,466,333)	(10,547,311)
Interest paid		(153)	(569)
Payment of taxes		(41,111)	(21,019)
Net cash outflow from operating activities	25	**(10,406,255)**	**(2,995,839)**
Cash flows from investing activities			
Repayment of loan by Unique Solutions and Advice Limited		-	775,000
Repayment of loans by advisers		968,178	28,959
Repayment of advances to group companies		418,000	-
Loan to Unique Solutions and Advice Limited		-	(550,000)
Loans to advisers		(413,761)	(718,194)
Advances to group companies		(80,000)	(672,432)
Acquisition of property, plant and equipment		(233,076)	(306,163)
Acquisition of intangible assets		(1,979,615)	(1,927,572)
Net cash outflow from investing activities		**(1,320,274)**	**(3,370,402)**
Cash flows from financing activities			
Proceeds from issue of shares		14,900,000	17,900,000
Net cash inflow from financing activities		**14,900,000**	**17,900,000**
Net increase in cash and cash equivalents		3,173,471	11,533,759
Cash and cash equivalents at the beginning of the period		11,922,899	389,140
Cash and cash equivalents at the end of the period	13	**15,096,370**	**11,922,899**
Being:			
Cash at bank		4,975,446	6,832,899
Short term deposits		10,120,924	5,090,000
		15,096,370	**11,922,899**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 March 2013

1 Summary of Significant Accounting Policies

Reporting Entity

Partners Life Limited (the "Company") is a profit-oriented company domiciled in New Zealand and registered under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The financial statements are also prepared to comply with the Insurance (Prudential Supervision) Act 2010.

The Company operates in the life insurance industry in New Zealand. The Company was launched to the general public in April 2011, before this only a small number of policies had been issued to staff and close business associates.

The Company is a wholly owned subsidiary of Partners Group Holdings Limited, a New Zealand company.

The financial report was authorised for issue by the Directors on 1 August 2013.

The financial statements comprise statements of: comprehensive income; financial position; changes in equity; cash flows; as well as notes to these statements.

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). It complies with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

New accounting standards and amendments

The following standards and amendments, which may affect the Company, were available for early adoption, but have not been applied by the Company in these financial statements. The Company currently does not intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

New standards and amendments not yet effective:

NZ IFRS 9 Financial Instruments (2009 & 2010) - applicable 1 January 2015

Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.

Presentation of items of Other Comprehensive Income (Amendments to IAS 1) - effective for periods beginning on 1 July 2012
Introduces changes to the presentation of items of other comprehensive income.

NZ IFRS 13 Fair value measurement - effective for periods beginning on 1 January 2013
Provides a revised definition of fair value and a single source of guidance on fair value measurement and requires certain disclosures regarding fair value.

NZ IAS 19 Employee Benefits (Amended 2011) - effective for periods beginning on 1 January 2013
The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans are recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

Basis of preparation

The financial statements are prepared on a historical cost basis, except for certain assets and liabilities which are stated at their fair value, being Cash and Cash Equivalents, New Zealand Government Stock and the liability to advisers under share based payments. Insurance contract assets and liabilities associated with the insurance business are stated at actuarially assessed values, refer note 1i).

Assets and liabilities in the Statement of Financial Position are presented in their broad order of liquidity.

1 Summary of Significant Accounting Policies (continued)

Specific Accounting Policies

a) Foreign Currency

(i) Functional and presentation currency

Both the functional and presentation currency of the Company is New Zealand dollars, all items included in the financial statements are measured using the functional currency.

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date. Foreign exchange differences arising on translation are recognised in the profit or loss.

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

b) Financial Assets and Liabilities

Financial Assets:
Financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit and loss, held to maturity investments, loans and receivables or available-for-sale financial assets. When financial assets are recognised initially they are measured at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

(i) Financial assets at fair value through profit or loss:
Financial assets classified as held for trading or backing insurance contract liabilities are included in the category "financial assets at fair value through profit and loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

Investments in securities are financial instruments designated at fair value through profit and loss.

Gains or losses on investments held for trading or backing insurance contract liabilities are recognised in profit or loss. Financial assets backing insurance contract assets and liabilities are designated as fair value through profit and loss to eliminate any accounting mismatch as the insurance contract assets and liabilities are at fair value. Debt and equity securities and cash and cash equivalents are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset.

(ii) Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(iii) Cash and cash equivalents:
Cash and cash equivalents in the Statement of Financial Position comprise cash on hand and in demand deposits at bank and short-term bank deposits that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are financial instruments designated at fair value through profit and loss.

(iv) Trade and other receivables:
Prepaid expenses are expenses paid in advance of the period to which they relate and expenses paid for which the benefit arising will be recognised in a future accounting period.

Amounts due from advisers, policyholders, reinsurers and other receivables are classified as Trade and Other Receivables in the Statement of Financial Position and are initially recognised at fair value, being the amount receivable.

Subsequent measurement is based on amortised cost and reduced for impairment as appropriate. Any impairment charge is recognised in the profit or loss.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts receivable according to the original terms of the receivables.

The criteria used by the Company to determine if there is objective evidence of impairment is management's assessment of the recoverable amount of the receivable at balance date, compared to the amount recognised in respect of the receivable.

Recognition and de-recognition of financial assets:
All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date the Company commits to buy or sell the asset.

Financial assets are de-recognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Financial Liabilities:
Financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability, except for financial liabilities at fair value through profit or loss which exclude transaction costs. A financial liability is de-recognised when it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

(v) Trade and other payables:
Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of Significant Accounting Policies (continued)

c) Property, Plant and Equipment

An item of property, plant and equipment is recognised if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, Plant and Equipment is recognised at cost, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the items) is recognised in profit or loss.

Depreciation is provided for using a straight-line method to write-down the cost of each asset to their expected residual value over their estimated useful lives as follows:

- Computer Equipment	Three years
- Office Furniture and Equipment	Five years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

d) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific assets or assets and the arrangement conveys a right to use that asset or assets.

Operating lease payments are recognised in the profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

e) Intangibles

Intangible assets are non-monetary assets other than goodwill with no physical substance, that are separately identifiable, controlled by the Company and have future economic benefits. The asset is measured as the cost incurred in its generation.

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises all directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management. Expenditure on internally generated goodwill and brand, are recognised in the profit or loss as incurred.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the intangible asset.

Separately identifiable intangible assets comprise Computer Software and a Product Research database.

Computer software is initially recognised at cost, and includes only amounts incurred with third parties.

Computer Software is amortised to the profit or loss over the period which benefits are expected to be derived which is assessed to be three years. It is recognised at cost less accumulated depreciation and any accumulated impairment losses.

The product research database is initially measured at cost.

The product research database is amortised to the profit or loss over the period which benefits are expected to be derived which is assessed to be three years. It is recognised at cost less accumulated depreciation and any accumulated impairment losses.

f) Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid for salaries, holiday pay or short-term cash bonus schemes if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

1 Summary of Significant Accounting Policies (continued)

g) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as an asset or liability to the extent that it is refundable or remains unpaid at balance date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base. The value reported in the Statement of Financial Position represents the net position of the Company.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted, or substantively enacted, by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised, or to the extent they may be utilised against taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

(i) Goods and Services Tax ("GST")
Revenues, expenses and assets are recognised net of the amount of GST.

Where the Company is unable to recover the full amount of GST incurred on the purchase of an asset or an expense incurred the amount of GST unable to be recovered is expensed in the profit or loss.

Trade and other payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a net of GST basis. Commitments are disclosed exclusive of the amount of GST recoverable.

(ii) Taxation of life insurers
New legislation came into effect on 1 July 2010 that changed the tax treatment for Life Insurance policies. Under the new rules, income and expenditure on Life Insurance policies (e.g. premiums, reinsurance premiums, claims and reinsurance recoveries) form part of the assessable income of the Company.

The value of current tax payable or current income tax benefit is shown separately within receivables or other liabilities. The present value of the future tax benefit or provision for deferred tax on temporary differences arising in insurance contract assets and liabilities is calculated at applicable future tax rates enacted at balance date and is separately disclosed as part of deferred tax when a deferred tax asset or liability is recognised.

h) Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand, current accounts with banks and bank term deposits of less than three months maturity or readily convertible to cash.

The following are definitions of the terms used in the Statement of Cash Flows:

1) Operating activities include all transactions and other events that are not investing or financing activities.

2) Investing activities are those activities relating to the acquisition and disposal of property, plant and equipment, intangible assets, investments and loans.

3) Financing activities are those activities that result in changes in the size and composition of the capital structure, including debt.

1 Summary of Significant Accounting Policies (continued)

i) Life Insurance Business

(i) Principles underlying conduct of Life Insurance business

The life insurance operations consist of insurance contract business only.

Insurance contract business relates to a transfer of significant insurance risks from the policyholder to the insurer in order to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The compensation, referred to as insured benefits, is payable on death, or on the occurrence of injury, disability or certain illnesses, and the financial risk of the occurrence of the event which crystallises the payment of the insured benefit is borne by the Company.

(ii) Life insurance revenue and expenses

Recognition of Income

Premium Income:
All premiums for insurance contract business are recognised as revenue as these are earned by the Company bearing risks and providing services. Premiums with a regular due date are recognised when the premium becomes due and payable, usually on a monthly basis. The unearned portion of regular premiums payable quarterly, six-monthly or annually is deferred and recognised in the Statement of Financial Position.

Investment Income:
Investment Income is recognised in the profit or loss as it accrues, using the effective interest method.

Investment Income also includes realised and unrealised changes in the net market value of investments designated at fair value through profit or loss.

Expenses

Claims:
Claims are recognised as an expense in the Statement of Comprehensive Income when an insured event under the policy contract has occurred, or upon notification of an insured event, depending on the type of claim. An actuarially determined reserve for claims incurred, but not reported and the present value of expected future claim payments on policies that make regular claim payments to policyholders and have suffered a claim event are also recognised in the Statement of Comprehensive Income.

Commission and Operating Expenses:
Commission and operating expenses incorporate all other expenditure involved in the running of the Company's business, including costs of issuing new business, salaries and related costs and other operating expenses.

For the purposes of determining insurance contract assets and liabilities life insurance expenses are categorised into acquisition, maintenance (including general growth and development expenses) or investment management expenses based on a detailed functional analysis.

Acquisition expenses are the fixed and variable expenses of acquiring new business including commissions and similar distribution costs and expenses related to accepting, issuing and initially recording policies. They do not include general growth and development costs incurred by the Company.

Under the Margin on Services ("MoS") method of recognising profits, where overall product profitability of new business written during the period is expected to support the recovery of acquisition expenses incurred in that period these expenses are effectively deferred as an element of insurance contract assets and liabilities and amortised over the life of the policies written. Unamortised acquisition expenses are a component of the MoS insurance contract assets and liabilities. Acquisition expenses are recognised in the profit or loss as a component of "net increase in insurance contract assets and liabilities" at the same time as profit margins are released.

Acquisition expenses are allowed for when determining expected profit margins by setting standard expense allowances. Actual acquisition expenses in any one period may vary from standard for a number of reasons including new business volumes, distribution mix, cost efficiency and new strategic initiatives.

As a result of the variances, acquisition expenses may, in total, be lesser or greater than standard expense allowances. In both cases the acquisition component of the insurance contract asset or liability is determined as the actual expenses incurred in the period so that neither a profit or loss arises on acquisition, subject to the overriding constraint that the present value of future profit margins of new business written in the period is not negative.

Maintenance expenses are the fixed and variable expenses of administering policies subsequent to sale and the fixed and variable operating expenses of maintaining the Company's operations such that they are sufficient to service in force policies. These include general growth and development expenses. Maintenance expenses include all operating expenses other than acquisition expenses.

Maintenance expenses are recognised in the profit or loss in the period to which they relate.

The Company does not incur investment management expenses as it does not write investment business or have any outsourced funds management.

1 Summary of Significant Accounting Policies (continued)

i) Life Insurance Business (continued)

Reinsurance

The Company has entered into a Quota Share (Modified Co-Insurance) Life Reinsurance Treaty ("Reinsurance Treaty") with SCOR Global Life SE Singapore branch ("SCOR"). The treaty meets the definition of an insurance contract under NZ IFRS 4 as there is a significant transfer of insurance risk by the Company to SCOR through the ceding of an agreed portion of the Company's insurance risks up to automatic acceptance levels on all covers except medical insurance. In addition, SCOR bears underwriting and lapse risks in the profit share arrangements under the treaty.

Cash flows between the parties are recorded in an Original Experience Account ("OEA") to determine profit sharing. The OEA is a record of each specific tranche of insurance and is the net total of initial reinsurance commissions received, reinsurance recoveries received on claims, reinsurance premium payments, reinsurance commission clawbacks, interest payable on the OEA balance and administration fees payable. In the future, once the overall OEA balance is reduced to zero, the Company has the option to switch to a risk premium basis.

Reinsurance income and expenses are recognised separately in the profit or loss when they become due and payable in accordance with the terms and conditions of the Reinsurance Treaty.

Reinsurance premiums are calculated on an original terms basis with bonuses reducing the premiums depending on persistency experience. Reinsurance premiums are recognised in the profit or loss against premium revenues.

Reinsurance recoveries on claims are recognised in the profit or loss reducing the claims expense. Reinsurance recoveries are recognised at the same time the claim is recognised if the underlying policy is reinsured. The amount recognised is the present value of the recoverable amount based on the claim event date.

Outstanding reinsurance receivables are recognised under Trade and Other Receivables in the Statement of Financial Position.

Outstanding reinsurance payables are recognised under Trade and Other Payables in the Statement of Financial Position.

The Company recognises inwards reinsurance commissions due from SCOR in the profit or loss, net of any commissions repayable to SCOR as a result of policy discontinuances. Reinsurance commissions become due when the Company issues policies containing reinsured benefits. Expected future cash flows from the Company's reinsurance arrangements are included in the actuarial MoS insurance contract and reinsurance balances determination. The resultant movement in these balances, recognised in the profit or loss, effectively defers the recognition of the net inwards reinsurance commission income, in line with the MoS methodology.

(iii) Insurance contract amounts measurement

Determination of insurance contract assets and liabilities:
The amount of insurance contract assets and liabilities have been determined in accordance with methods and assumptions disclosed in this financial report and have been calculated using the MoS methodology in accordance with the New Zealand Society of Actuaries Professional Standard 3: Determination of Life Insurance Policyholder Liabilities.

MoS is designed to recognise profits on life insurance as services are provided to policyholders. Profits are deferred and recognised over the life of policies, whereas losses are recognised immediately as they arise. The service used to determine profit recognition is the cost of expected claims.

Insurance contract assets and liabilities are generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums.

Profits emerging under the MoS methodology can be categorised as follows:

1) 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 premiums and payments. Where actual experience is in line with best estimate assumptions, the expected profit margin will be released over the life of the policy.

2) The difference between actual and assumed experience

Experience profits or losses are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits or losses include variations in claims, expenses, mortality, morbidity and rates of discontinuance. For example an experience profit will emerge when actual claims in a period are less than the best estimate assumption in respect of the cost of claims for the period.

3) Changes to underlying assumptions

Assumptions used for measuring insurance contract assets and liabilities are reviewed each period. Where the review leads to a change in assumptions the change is deemed to have occurred from the end of the financial period and the impact of the assumption change is absorbed within the future value of profit margins, provided sufficient profit margins exist.

The calculation of insurance contract assets and liabilities includes the use of published investment market yields (e.g. government bond yields). The changes in these yields are not treated the same as other actuarial assumption changes as changes in investment yields impact both the insurance contract assets and liabilities and the asset values in the Statement of Financial Position and any changes in relative value between the two is recognised during the reporting period.

1 Summary of Significant Accounting Policies (continued)

The financial effect of changes to the assumptions underlying the measurement of insurance contract assets and liabilities made during the reporting period are recognised in the profit or loss over the future reporting periods during which services are provided to policyholders. However if, 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 profit or loss immediately. When loss making business becomes profitable previously recognised losses are reversed.

4) Investment earnings on assets in excess of insurance contract liabilities

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

j) Equity

(i) Shares:
Issued shares are recognised at the amount paid per share.

(ii) Share based payments:
The fair value of share based payments to independent advisers and executives are initially measured at the grant date. Fair value is measured via option pricing techniques using a binomial model taking account of the specific conditions of the options issued. Details regarding the determination of fair values of share based payments are set out in Notes 2 and 22.

Shadow share scheme with advisers:
The shadow share scheme with advisers is a deferred entitlement scheme offering additional commission payments for qualifying policies sold and maintained by advisers. Future payments are dependent on increases in the value of the shares of Partners Group Holdings Limited ("PGHL"), the Company's parent company, and subject to advisers meeting certain criteria in accordance with the rules of the Scheme.

The Company has entered into a Deed of Agreement with PGHL in respect of the Scheme, whereby PGHL has undertaken to solely bear the liability to advisers arising from shadow shares issued without any obligation on the Company to reimburse or repay PGHL at any time.

As such, the fair value of shadow shares issued is accounted for as an equity settled share based payment in accordance with NZ IFRS 2 Share Based Payments. Therefore the fair value of shadow shares issued is recognised as a commission expense in the profit or loss, with a corresponding contribution to equity from the parent company.

For MoS reporting purposes, the commission expense incurred on the initial recognition of the shadow share entitlement is treated as an acquisition expense and is deferred within the policy assets and liabilities calculation in the same manner as any other acquisition expense.

Executive long term incentive plan:
The fair value of share based payments under the executive long term incentive plan is measured at grant date and is recognised as an employee expense over the period the employee unconditionally becomes entitled to the shares. The determination of fair value excludes the impact of any non-market vesting conditions which are allowed for in assumptions about the number of options that are expected to be exercisable.

As the employees effectively have an option to purchase shares in PGHL under the plan, the fair value of the option under the plan is accounted for as an equity settled share based payment in accordance with NZ IFRS 2 Share Based Payments. Therefore the fair value of options issued is recognised as an employee expense in the profit or loss, with a corresponding contribution to equity from the parent company.

k) Provisions

A provision is a liability of uncertain timing or amount which is recognised in the Statement of Financial Position when:
- The Company has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of economic benefit will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as a finance cost.

l) Contingent liabilities

Contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed in the financial statements unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated a provision is recognised. The amount disclosed as a contingent liability is the best estimate of the settlement amount payable.

m) Impairment

Assets of the Company are assessed for indications of impairment at each reporting date. Indicators include both internal and external factors. If such indicators exists, the asset's recoverable amount is estimated.

(i) Intangible assets
Intangible assets have their recoverable amount assessed whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised whenever the asset's carrying value exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

(ii) Financial assets
The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping assets with similar risk characteristics.

1 Summary of Significant Accounting Policies (continued)

m) Impairment (continued)

(iii) Other non-financial assets
Other assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels from which there are separate identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible impairment whenever events or changes in circumstances indicate that the impairment may be reversed.

(iv) Reversal of impairment
An impairment loss for an asset is reversed in the following period if there are indications that the impairment loss previously recognised no longer exists or has decreased.

The impairment loss is reversed, in the profit or loss, only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded.

n) Offsetting of assets and liabilities

Assets and liabilities are only offset and the net amount reported in the Statement of Financial Position where there is:
- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

o) Change in accounting policies

Preparation of Statement of Cash Flows

The Statement of Cash Flows has been prepared on a net of GST basis in the current financial year, as opposed to a gross basis in the previous financial year. The comparatives have been restated to be consistent with this year's presentation. This change in accounting policy has no impact on opening equity.

Apart from as noted above, the accounting policies adopted are consistent with those of the previous year.

p) Comparatives

Deferred tax on taxable temporary differences within insurance contract assets and liabilities has been disclosed separately in the Statement of Financial Position and the Statement of Comprehensive Income, and the comparatives have been reclassified to be consistent with this presentation. The change had no impact on net assets or total comprehensive income.

2 Critical Accounting Judgements, Estimates and Assumptions

The preparation of a financial report in conformity with New Zealand Accounting Standards (NZIFRS) 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 are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the adjustments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements and estimates are applied in respect of Life Insurance Business as noted below:

(i) Insurance contract assets and liabilities (including reinsurance)

Insurance contract assets and liabilities for life insurance contracts are computed using statistical or mathematical methods. The calculations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles and standards. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. Deferred policyholder acquisition costs are connected with the measurement basis of the life insurance liabilities and are equally sensitive to the factors that are considered in the measurement.

Assets and liabilities arising from reinsurance contracts are also computed using the same methods as for insurance contract assets and liabilities. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due and these amounts can be reliably measured.

The key factors that affect the estimation of these liabilities and related assets are:
- the cost of providing the benefits and administering these insurance contracts; and
- mortality and morbidity experience, which impacts on the profitability of the Company where actual experience differs from assumed experience; and
- rates of discontinuance, which affects the Company's ability to recover the costs of acquiring new business over the lives of the contracts; and
- the Company's reinsurance arrangements and timing of certain future cash flows under these arrangements, which are dependent on the underwriting results of the Company.

In addition factors such as regulation, competition, interest rates, taxes and general economic conditions affect the level of these liabilities.

See notes 1(i) and 3 for more details on the valuation of insurance contract assets and liabilities and assumptions applied.

(ii) Share-based payments

Shadow share scheme with advisers:
At 31 March 2013 the Company performed an internal valuation of the fair market value of the share options issued in the 2013 scheme year based on the Directors' assessment of the fair value of the shares in Partners Group Holdings Limited at 31 March 2013. At 31 March 2012 the Company obtained an independent valuation of the fair market value of the share options issued in respect of the 2012 scheme year.

The value of the share options issued has been calculated using a binominal option pricing model using a number of assumptions as set out in Note 22.

Shares options have a life of 3 to 5 years from the date of issue. In determining the time to maturity, the Company considered there is scope for their life to be extended beyond the original period in certain circumstances, however given the uncertainty as to whether such an extension would be necessary, and how long that extension might be, it was considered reasonable to assume a 3 year life.

Sensitivity analyses were performed to assess the fair value of the share options were the scheme to be extended for a further year, together with different expected volatilities of returns of an investment in the shares of Partners Group Holdings Limited and differing outcomes in respect of adviser persistency, refer Note 22.

Executive long term incentive plan:
The option value of shares issued to executives under this plan during the year was determined by an independent valuation based on the key terms of the plan.

Sensitivity analysis were performed to assess the fair value of the share options with different probabilities of achieving the vesting criteria for tranches of shares issued under the plan, together with different expected volatilities of returns of an investment in the shares of Partners Group Holdings Limited, refer Note 22.

(iii) Taxation

The Company has determined that its Reinsurance Treaty with SCOR constitutes a risk reinsurance treaty for income tax purposes. Accordingly, it has treated reinsurance incomes and expenses under the treaty as being assessable and deductible for income tax purposes, refer Note 12.

The Company has determined it is not probable that future taxable profits will be available prior to any potential future breach of shareholder continuity for the purpose of tax loss recognition. Accordingly, it has not recognised a deferred tax asset in respect of accumulated tax losses at balance date.

3 Summary of Significant Actuarial Assumptions

The effective date of the actuarial report on insurance contract assets and liabilities is 31 March 2013.

The actuarial report was prepared by L K Caradus, Fellow of the New Zealand Society of Actuaries, and signed on 30 July 2013.

Insurance contract assets and liabilities for life insurance and reinsurance contracts, are the amounts which, when taken together with future premium and investment earnings, are required to meet the payment of future benefits and expenses, and include profit margins to be released when earned in future periods.

Insurance contract assets and liabilities were measured at the present value of expected future cash flows plus allowances for claims admitted but not paid, claims reported but not admitted, claims incurred but not reported, claims in the course of payment and the cost of policyholders electing to exercise various options in future. The profit carrier used for all related product groups was claims.

The Actuary certified that the amount of insurance contract assets and liabilities have been determined in accordance with methods and assumptions disclosed in the report and with Professional Standard 3: "Determination of Life Insurance Policyholder Liabilities" of the New Zealand Society of Actuaries.

The Actuary certified she was satisfied as to the accuracy of the data upon which the amount of the insurance contract assets and liabilities have been determined.

Disclosure of assumptions:
The valuations included in the reported results are calculated using assumptions about certain underlying variables. The assumptions are determined by the Actuary based on the Company's actual and expected future experience, industry experience data and information provided by reinsurers.

Discount rates
None of the benefits under the contracts are contractually linked to the performance of the assets held. Risk-free discount rates derived from returns on New Zealand Government Bonds are used to determine the present value of the liabilities. The risk-free rates (before tax) applied for all business are forward rates obtained from the Treasury website, sample rates are:

Years from valuation date	31 March 2013	31 March 2012
1	2.56%	2.63%
5	3.93%	4.57%
10	4.78%	5.16%
15	5.45%	5.74%
20	6.00%	6.00%

In the current year before tax discount rates were applied in the initial period during which it was projected no tax would be payable (see rates of taxation below), after this initial period net of tax discount rates were applied (2012: net of tax discount rates applied throughout).

Inflation
The inflation assumption was determined on a basis consistent with the medium to long term RBNZ inflation target of between 1% and 3%. The rate assumed was 2.5% (2012: 2.5%).

Future expenses
Assumed future maintenance expenses per policy in the year ending 31 March 2014 were sufficient to cover expected renewal expenses in that year, allowing for new business expected in the year. Expenses for the following three years were determined similarly, thereafter expenses were assumed to increase at 2.5% per annum '(2012: 2.5% per annum). The Company does not incur any investment management expenses.

Indexation of benefits
Indexation of benefits and premiums (where applicable) was assumed to be 2.5% per annum (2012: 2.5% per annum).

Rates of taxation
Current taxation bases for both life insurance and non-life business were assumed to continue and the future rate of taxation was assumed to be 28%, applicable after an initial period during which it was projected no tax would be payable. No tax benefits from current tax losses were assumed as at 31 March 2013, (2012: tax benefits were assumed to be available in initial years to offset against future taxable income).

For business existing at 1 April 2012 this change in tax assumption impacts future profit margins and does not affect this year's profit.

Mortality and morbidity
Assumed mortality and morbidity rates vary by age, sex and smoker status. An initial selection period of up to five years was assumed.

For medical benefits, it was assumed that the business would be managed and rerated according to an expected loss ratio. Accordingly claims were assumed to be a percentage of premiums.

For other benefits, future claims were based on the reinsurer's risk premium rates, adjusted to allow for industry experience and the Company's own experience to date.

Rates of discontinuance
Voluntary discontinuances were assumed to vary according to the age of the life insured and the length of time the policy has been in force, in line with the Company's expected experience taking into account other market information and matters specific to the Company.

The resulting future rates of voluntary discontinuance for the major classes of business were of the order of 7% to 15%, increasing by duration in force.

All covers are assumed to expire at the earlier of the age specified in the contractual terms and age 70.

Surrender values
Not applicable as the Company does not issue investment business. None of the policies have surrender values.

Participating business
The Company does not issue participating business.

3 Summary of Significant Actuarial Assumptions (continued)

Impact of changes in assumptions between 31 March 2012 and 31 March 2013
The following table shows the effect on the present value of future planned profit margins and insurance contract assets and liabilities as at 31 March 2013 of changes in the actuarial assumptions. The effect is measured only on business in force at 31 March 2012 which remains in force at 31 March 2013. New business written in the current financial year was valued using only the revised assumptions.

Assumption category:	Effect on the Present Value of Future Profit Margins Increase/ (Decrease) $	Effect on Insurance Contract Assets and Liabilities Increase/ (Decrease) $
Discount rates	2,097,000	(1,107,000)
Claims and lapses	11,056,000	-
Expenses	184,000	-
Tax	(32,000)	-
Other	(1,917,000)	-
	11,388,000	**(1,107,000)**

The basis on which tax is projected has been changed. In the current year there was an initial period projected where the Company would not benefit from any tax losses generated, nor would any tax be payable. This initial period was assessed from future projections as to when the Company would generate taxable profits. In the previous period tax was assumed to apply to all periods.

This change was applied to the valuation of existing business at 31 March 2012 as a change in assumptions and therefore did not affect the insurance contract assets and liabilities. Business written in the current financial year was valued using the new basis.

The impacts of this change in the projection basis on business written in the current financial year were to decrease net insurance contract assets and liabilities (i.e. an increase in the net asset) at 31 March 2013 by $4,141,000, and decrease the present value of future planned profit margins by $4,323,000.

4 Risk Management Policies and Procedures for Insurance

The financial condition and operating results of the Company are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, insurance risk and liquidity risk. The non-financial risks are compliance risk and operational risk. The Company's objectives and policies in respect of managing these risks are set out in the remainder of this section.

(a) Risk management objectives and policies for mitigating financial and insurance risk.

The Company's objective is to satisfactorily manage risks in line with the risk management programme requirements of the Insurance (Prudential Supervision) Act 2010. A Risk Management Strategy has been put in place to identify, control and mitigate the risks faced by the Company depending on the nature of those risks. The Company's exposure to all financial and insurance risks is monitored regularly by the Board of Directors.

Financial risks are generally monitored and controlled by selecting appropriate assets to back liabilities. These assets are regularly monitored to ensure there are no material asset and liability mismatching issues and other risks, such as liquidity and credit risk, are minimised.

Insurance risks are controlled through the use of prudent underwriting procedures and reinsurance arrangements, which are monitored by the Chief Underwriter and Chief Actuary. Controls are also maintained over claims management processes to ensure that all valid claims are paid in a timely and accurate manner.

(b) Strategies for managing insurance risks

The Company's strategies for managing risks arising from its insurance business are:
- The Chief Actuary sets premium rates based on the expected incidence of claims, expenses associated with acquiring and maintaining the Company's insurance business, including commissions paid to independent financial advisers, and a margin to ensure an appropriate return on capital and the continuous meeting of internal and external solvency and capital requirements.
- To ensure that strong internal controls are in place in respect of the underwriting of all new insurance business received.
- To use reinsurance as a key component of its insurance risk management strategy and to regularly review these reinsurance arrangements to ensure they align with the Company's retention risk appetites and allow the Company to continuously meet solvency and capital requirements.
- To ensure that processes and procedures are in place for the continuous monitoring of the Company's insurance risks.

Solvency margin requirements are in place to reinforce safeguards for policyholders' interests, which are primarily the ability to meet future claim payments in respect of existing policies. The solvency margin measures the excess of the value of the insurer's assets over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. These solvency requirements also take into account specific risks faced by the Company.

(c) Methods to monitor and assess insurance risk exposure

In an effort to protect and enhance shareholder value the Company actively manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles and macro-economic environments. Risk exposures are managed using various analysis and valuation techniques to calculate the economic capital required to support adverse risk scenarios, along with other cash flow analyses, and prudent and diversified underwriting and investing.

The Company reports financial and operating results and exposure to insurance risks (both gross and net of reinsurance) to the Board of Directors. This information is combined with detail of the Company's reinsurance arrangements to provide a central view of the Company's performance and its gross and net exposures.

4 Risk Management Policies and Procedures for Insurance (continued)

(d) Methods to limit or transfer insurance risk exposures

Reinsurance:
The Company has entered into a Reinsurance Treaty in respect of all benefits, with the exception of medical benefits, the treaty provides indemnification for the Company against loss and liability.

The Reinsurance Treaty is designed to limit its exposure to insurance risk to a level appropriate with its age and capital base and contributes to the costs of acquiring new insurance business in order that the Company can continue to write new business and continuously meet solvency standards.

The Reinsurance Treaty is structured on a Quota Share basis. Reinsurance premiums are paid in relation to benefits reinsured. The Quota Share percentage of claims paid in relation to benefits reinsured are recoverable from the reinsurer. Profits arising on this reinsured business are shared with the Company.

The Company is dependent on the availability of reinsurance to write new business. At balance date the Company has a Reinsurance Treaty with a single reinsurer, SCOR.

SCOR has indicated its medium term support to the Company, with the specific terms of the Reinsurance Treaty for new business agreed annually. If SCOR ceases to take new business under the treaty it remains on risk for policies previously reinsured.

The Company has signed a reinsurance treaty with SCOR covering the 2013/14 financial year. Subsequent to balance date the Company also signed a treaty with SCOR for the 2014/15 financial year and amendments to the 2013/14 treaty. In addition, subsequent to balance date, SCOR has entered into retrocession treaties with Berkshire Hathaway and PartnerRe covering the same periods.

Market conditions beyond the Company's control determine the availability and cost of reinsurance. Accordingly, the Company may be forced to incur additional expenses for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms from SCOR or alternative reinsurers, in which case the Company would have to accept an increase in its exposure to risk under new business, reduce the amount of new business written or seek alternatives.

Although reinsurance makes the reinsurer liable to the Company to the extent the risk is ceded, it does not relieve the Company of its primary liability to its policyholders. Accordingly, the Company bears credit risk with respect to any reinsurer. The Company can offset the reinsured portion of claims against the OEA whilst it remains positive. A reinsurer's insolvency, inability or refusal to make timely payments under the terms of its Reinsurance Treaty with the Company could have a material adverse effect on the Company's financial results and liquidity.

Underwriting procedures:
Underwriting decisions are put into effect using the underwriting procedures detailed in the Company's underwriting manual. Such procedures include limits to delegated authorities and signing powers for individual underwriters and limits over which individual cases must be referred to the Company's reinsurers for an underwriting decision. The underwriting process is monitored by the Chief Underwriter to ensure adequate controls are in place over the underwriting process and that these controls are effective. The Company's reinsurers carry out regular audits of its underwriting decisions.

Claims management:
Claims management procedures are in place to facilitate the timely and correct payment of all valid claims in accordance with policy conditions.

(e) Concentration of insurance risk

The Company aims to maintain a spread of age profile and mix of sexes within its portfolio of policyholders so that the Company's risk concentration in relation to any particular age group is minimal.

The table below illustrates the concentration of insurance risk based on five bands of life sums assured for each life insured.

	31 March 2013		31 March 2012	
Sum Assured	**Before Reinsurance**	**After Reinsurance**	**Before Reinsurance**	**After Reinsurance**
$0 - $50,000	0.2%	4.3%	0.2%	8.1%
$50,001 - $150,000	1.7%	29.8%	1.7%	42.9%
$150,001 - $250,000	3.8%	27.4%	4.1%	29.0%
$250,001 - $500,000	13.4%	29.0%	14.1%	16.6%
Greater than $500,000	80.9%	9.5%	79.9%	3.4%
	100.0%	**100.0%**	**100.0%**	**100.0%**

(f) Sensitivity to insurance risk

The table below illustrates the sensitivity of reported profit and loss and equity to changes in assumptions, had those changes been made at the start of the financial year.

	Change	31 March 2013 Profit / (Loss)	31 March 2013 Equity	31 March 2012 Profit / (Loss)	31 March 2012 Equity
Change in mortality and morbidity	+10%	(348,000)	(348,000)	(75,000)	(75,000)
	-10%	350,000	350,000	75,000	75,000
Change in lapse rates	+10%	(443,000)	(443,000)	(130,000)	(130,000)
	-10%	516,000	516,000	129,000	129,000
Change in expense assumptions	+10%	(56,000)	(56,000)	(22,000)	(22,000)
	-10%	56,000	56,000	22,000	22,000

The above changes in assumptions would not alter profit or equity if they were made at the end of the financial year due to the nature of MoS accounting.

(g) Terms and conditions of insurance contracts

The nature of the terms of insurance contracts written is such that certain external variables can be identified on which related cash flows for claims payments depend. The details below provide an overview of the key variables upon which the amount of related cash flows are dependent.

4 Risk Management Policies and Procedures for Insurance (continued)

(g) Terms and conditions of insurance contracts (continued)

Type of contract:
Non-participating life insurance contracts with fixed and guaranteed terms (term life, trauma, disability and major medical), together with a small number of group life, disability and medical schemes.

Detail of contract workings:
Guaranteed benefits paid on death, certain critical illnesses or disability are fixed and guaranteed and not at the discretion of the issuer. Premiums may be guaranteed for a specified term or variable at the insurer's discretion.

Nature of compensation for claims:
Benefits are defined and determined by the insurance contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole.

Key variables that affect the timing and uncertainty of future cash flows:
Mortality and morbidity experience
Rates of discontinuance
Expenses
Market interest rates on underlying assets

5 Financial Risk Management and Objectives

The Company's principal financial position and operating results are affected by a number of key financial and non-financial risks. Financial risk include interest rate risk, currency risk, credit risk, market risk, insurance risk and liquidity risk. Non-financial risks include compliance risk and operational risk.

The Company's objectives and policies in respect of managing these risks are set out below:

Risk Management

Risks arising from holding financial instruments are inherent in the Company's activities, and are managed through the process of on going identification, measurement and monitoring. The Company is exposed to market risk, interest rate risk, credit risk and liquidity risk.

Financial instruments of the Company comprise investments in financial assets for the purpose of generating a return on its investments, cash and cash equivalents, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Company is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using methods that reflect the expected impact on the results and net assets of the Company from reasonably possible changes in the relevant risk variables. These methods include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Information about the total fair value of financial instruments exposed to risk is also monitored by the Company.

This information is prepared and reported to key management personnel and ultimately the Board of Directors on a regular basis as deemed appropriate.

a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market, the main market risk of the Company is interest rate risk.

Market risk is effectively managed through the Company investing assets in cash and short-term deposits with registered trading banks and New Zealand Government Stock. The Company has no exposure to commodity and equity security prices.

b) Interest rate risk

The Company has exposure to interest rate risk to the extent it invests for a fixed term at fixed interest rates. New Zealand Government Stock and cash deposits are subject to market risk in the event of changes in interest rates. The interest rate risk on the Company's short-term cash deposits is negligible.

Interest rate sensitivity on the Statement of Comprehensive Income is the effect of an assumed change in interest rates on:
- the interest income for one year, based on floating rate financial assets
- changes in the fair value of investments for the year, based on revaluing the fixed rate financial assets at 31 March.
- changes in the value of net insurance contract assets through sensitivity to changes in discount rates applied

The following table demonstrates the sensitivity of the Company's profit or loss and equity to a reasonably possible change in interest rates, with all other variables held constant:

Interest Rate Sensitivity	**Cash and Cash Equivalents $**	**Fixed Rate Interest Bearing Investments $**	**Net Insurance Contract Assets, including Deferred Tax Liability $**
Balance reported at 31 March 2013	**15,096,370**	**515,721**	**27,431,000**
Profit/(Loss) and Equity impact:			
+1% (100 basis points move in interest rates)	150,964	(212)	(408,000)
-1% (100 basis points move in interest rates)	(150,964)	212	433,000
Balance reported at 31 March 2012	**11,922,899**	**534,600**	**7,462,000**
Profit/(Loss) and Equity impact:			
+1% (100 basis points move in interest rates)	85,845	(3,754)	(79,000)
-1% (100 basis points move in interest rates)	(85,845)	3,811	91,000

5 Financial Risk Management and Objectives (continued)

c) Currency risk

Currency risk is the risk of loss to the Company arising from changes in foreign exchange rates. The Company currently has no assets or liabilities denominated in foreign currencies, so is currently not exposed to currency risk.

d) Credit risk

To the extent the Company has a receivable from another party, there is a credit risk in the event of non-performance of that counterparty. Financial instruments which potentially subject the Company to credit risk are insurance contract assets, bank deposits, loans and receivables and New Zealand Government Stock investments.

The Company manages its exposure to credit risk by placing its cash and investments with high credit quality financial institutions and sovereign bodies. The Company continuously monitors the credit quality of all institutions that are counterparties to its financial instruments and does not anticipate non-performance by any of those counterparties.

The risk arises in the event that a counterparty fails to perform according to the terms and conditions of the contract. In the normal course of business the Company incurs credit risk from debtors and financial institutions with which its financial assets are invested.

Certain of the loans to advisers are secured against all assets of the borrower, refer Note 16. No other collateral exists for any of the investments held by the Company. The maximum exposure to credit risk at balance date for each class of recognised financial asset is the carrying amount of those assets as indicated on the Statement of Financial Position. However as a large proportion of investments are in government stock and deposits with registered trading banks, losses from credit risk are not expected to occur. The Company seeks to ensure that its counterparties and investments are with reputable financial institutions and other entities.

None of the Company's financial assets are past due or impaired at balance date, with the exception of amounts due from advisers, within Trade and other receivables, which are shown net of a provision established by management against those amounts due where collection is considered doubtful.

Maximum exposures to credit risk at balance date are shown in the table below:

	2013 **$**	**2012** **$**
Cash at bank	4,975,446	6,832,899
Short term bank deposits	10,120,924	5,090,000
New Zealand Government Stock	515,721	534,600
Loans and receivables	679,761	1,217,830
Trade and other receivables (excluding prepaid expenses and reinsurance premiums)	4,353,303	1,958,154
Insurance contract assets	142,060,848	53,081,560
	162,706,003	**68,715,043**

Concentrations of Credit Risk:
Significant concentrations of credit risk are as follows:

Institution:	**Standard and Poor's Credit rating**	**$**
2013		
Westpac New Zealand Limited	AA-	5,096,127
Bank of New Zealand	AA-	5,000,000
ANZ National Bank	AA-	5,000,000
SCOR Global Life SE	A+	2,801,232
New Zealand Government	AA	515,721
2012		
Westpac New Zealand Limited	AA-	6,922,592
Kiwibank Limited	AA-	5,000,000
SCOR Global Life SE	A+	1,114,638
New Zealand Government	AA	534,600

Insurance contract assets represent a large number of unrated counterparties, there is no significant concentration of credit risk in respect of this asset.

e) Liquidity risk

The Company manages its exposure to liquidity risk by investing in predominantly short dated deposits and securities. The majority of the Company's investments are highly liquid.

Future demands for funds will be met by premiums and reinsurance commissions received and further capital to be raised from current and prospective investors in line with capital projections prepared by the Chief Actuary in order that the Company continues to meet solvency requirements.

The table below summarises the undiscounted maturity profile of the Company's contractual financial liabilities at balance date:

	On demand **$**	**Less than 3 months** **$**	**3 to 12 months** **$**	**> 1 year** **$**
2013				
Financial liabilities:				
Expense creditors and accruals	-	3,316,415	-	-
Employee entitlements (excluding annual leave provision)	-	-	300,000	-
Amounts due to group companies	194,164	-	-	-
Claim accruals and provisions	-	3,027,878	533,218	455,872
Trade creditors (excluding unearned premiums)	61,370	2,847,699	-	-
Insurance contract liabilities - reinsurance	-	6,052,000	15,747,000	92,530,300

5 Financial Risk Management and Objectives (continued)

e) Liquidity risk (continued)

2012				
Financial liabilities:				
Expense creditors and accruals	-	2,875,139	-	-
Employee entitlements (excluding annual leave provision)	-	-	1,111,744	-
Amounts due to group companies	274,164	-	-	-
Trade creditors (excluding unearned premiums)	132,670	2,407,784	-	-
Insurance contract liabilities - reinsurance	-	1,721,000	5,556,000	38,536,560

f) Capital Management

Capital management policies and objectives

The primary objective of the Company in the management of capital is to ensure it continuously meets the Solvency Standard for Life Insurance Business ("the Standard") released by the Reserve Bank of New Zealand on 5 August 2011 as part of the Insurance (Prudential Supervision) Act 2010.

The Board of Directors has put in place a Capital Management Policy and maintains overall responsibility for the management and monitoring of capital and the determination of the level of "buffer" capital to be held in addition to the capital requirements of the Standard in order to protect policyholders' and creditors' interests and meet regulatory requirements whilst still creating shareholder value.

From 31 December 2012 the Company is required to retain fixed capital of at least $5 million and maintain at least a positive solvency margin for each life fund under the Standard.

During the years ended 31 March 2013 and 31 March 2012, the Company complied with all externally imposed capital requirements.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the Standard.

The Board of Directors oversees the capital computations and maintains the optimal capital structure through analysis and optimisation of the Company's product and asset mix, reinsurance program, catastrophe risk, investment strategy and future share issues.

Capital composition

The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used by the Company is total equity attributable to owners which equates to "capital" as defined in the solvency standard.

6 Solvency Requirements

The Company is required to comply with solvency standards for life insurance business issued under the Insurance (Prudential Supervision) Act 2010.

The Solvency Margin of the Company is as follows:

	2013	**2012**
	$	**$**
Actual solvency capital	37,128,993	16,528,559
Minimum solvency capital	32,171,990	11,444,270
Solvency margin	**4,957,003**	**5,084,289**

The actuarial report on the solvency margin is included in the Appointed Actuary's Financial Condition Report, which has an effective date of 31 March 2013. The report was prepared by L K Caradus, Fellow of the New Zealand Society of Actuaries. The solvency requirement is calculated in accordance with the solvency standard for life insurance business issued by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010.

Statutory Fund:

Partners Life Limited established the Partners Life Statutory Fund ("the Statutory Fund" / "the Fund") on 1 September 2012.

Pursuant to Section 113 of the Insurance (Prudential Supervision) Act 2010, $5,600,000 of capital was paid into the Statutory Fund on establishment to form its net assets. This amount was determined as the sum of all assets and liabilities directly connected with the Fund, apportioned assets and liabilities where such amounts were clearly identifiable and additional cash assets estimated to be sufficient to create a minimum Solvency Margin within the Fund of $1m.

Subsequent to the establishment of the Fund additional capital of $9,948,393 has been transferred into the Fund in order to maintain a minimum Solvency Margin within the Fund of $1m.

Pursuant to Regulation 25 of the Insurance (Prudential Supervision) Regulations 2010 Order in Council, passed on 13/12/2010, subsequent to the establishment of the Fund, the Company has allocated profits of $3,544,393 to the Fund for the period ended 31 March 2013.

At the establishment date the value of insurance contract assets and liabilities was based on the most recent valuation available, being 31 March 2012. The profit allocated therefore includes the increase in these allocated insurance contract assets and liabilities from 31 March 2012 to 31 March 2013.

The solvency positions of the Company, Statutory Fund and Shareholder Fund as at 31 March 2013, determined under the requirements of the Reserve Bank of New Zealand's Solvency Standard for Life Insurance Business are set out below:

	Company	**Statutory Fund**	**Shareholder Fund**
Actual Solvency Capital	37,128,993	19,092,786	18,036,207
Minimum Solvency Capital	32,171,990	17,522,565	14,649,425
Solvency Margin	**4,957,003**	**1,570,221**	**3,386,782**

6 Solvency Requirements (continued)

Treatment of Reinsurance Treaty for solvency purposes

The Reserve Bank of New Zealand ("RBNZ") issued a consultation paper: Insurance Solvency Standards: The Quality of Capital and Regulatory Treatment of Financial Reinsurance on 7 December 2012 setting out two broad options in respect of the regulatory treatment of financial reinsurance arrangements.

RBNZ have recently stated that given the complexity of the issues surrounding reinsurance and the regulation of solvency capital it is likely a second consultation paper will be issued to clarify any potential changes to policy.

It is too uncertain for the Company to accurately estimate the potential impact of the adoption of either of the broad options set out in the initial consultation paper. The outcome of these consultations may have a material impact on the Company's solvency position.

On 17 June 2013 the RBNZ issued a consultation paper: Insurance Solvency Standards: Guarantees and off-balance sheet exposures, submissions on this paper are due by 9 August 2013. It is too uncertain for the Company to be able to accurately estimate any potential impact on the Company's solvency position in respect of matters considered in the consultation paper.

If certain specified termination events were to occur, the Company may have been required to pay to SCOR a recapture fee equivalent to the credit balance of the Original Experience Account. The reinsurance treaties with SCOR have been updated to significantly limit the ability of SCOR to demand immediate recovery of amounts that may become payable to it if such a termination event were to occur, in order to protect the interests of policyholders.

The Company complies with current solvency standards - see above.

7 Sources of Profit / (Loss)

Profits/(losses) emerging under the MoS methodology were as follows:	Note	2013 $	2012 $
Planned margins of revenues over expenses		3,049,000	622,000
The difference between actual and assumed experience:			
Impact of taxation timing differences, including effect of non-recognition of income tax losses	12	(608,000)	(2,691,000)
Other experience variances		989,246	(170,045)
Changes to discount rates applied		1,107,000	-
Investment earnings on assets in excess of insurance contract liabilities		433,000	53,000
Total sources of profit / (loss)		**4,970,246**	**(2,186,045)**

8 Net Commission Revenue

	2013 $	2012 $
Net inwards reinsurance commissions*	62,848,846	45,100,041

* The income recognition of this item is effectively deferred by the movement in insurance contract assets and liabilities recognised in the profit or loss, in line with the reinsurance policy set out in Note 1i) (ii). The amounts are net of clawbacks repaid to the reinsurer.

9 Net Investment Revenue

	2013 $	2012 $
Interest on cash and cash equivalents	361,002	37,080
Interest on New Zealand Government Stock	32,493	32,507
Interest on loans and receivables	58,622	13,199
Revaluation of New Zealand Government Stock	(18,871)	(8,599)
Total net investment revenue	**433,246**	**74,187**

10 Claims

	2013 $	2012 $
Gross claims		
Death claims	5,057,391	400,000
Trauma, disability and medical claims	6,693,771	608,714
Claims expense	**11,751,162**	**1,008,714**
Reinsurance recoveries	(7,125,894)	(685,022)
Net claims expense	**4,625,268**	**323,692**

11 Commissions and Operating expenses

	Note	2013 $	2012 $
Acquisition costs*			
Commissions		59,568,227	41,339,343
Equity settled share based payments with advisers	22	1,380,137	895,092
Other acquisition expenses		19,754,091	11,579,004
		80,702,455	53,813,439
Maintenance and general growth and development costs			
Commissions		846,164	-
Equity settled share based payments with executive staff	22	153,767	-
Other maintenance expenses		7,232,887	3,446,969
		8,232,818	3,446,969
Total commissions and operating expenses		**88,935,273**	**57,260,408**

* The expense recognition of these items is effectively deferred by the movement in insurance contract assets and liabilities recognised in the profit or loss, in line with the policy set out in Note 1i) (ii).

Included in total commissions and operating expenses are the following:

	Note	2013 $	2012 $
Commissions to advisers		60,414,391	41,339,343
Equity settled share based payments with advisers	22	1,380,137	895,092
Doubtful debts expense		280,000	-
Depreciation of property, plant and equipment	17	158,546	62,998
Amortisation of intangible assets	18	1,285,644	654,131
Fees to Non-Executive Directors	28	185,000	102,917
Employee remuneration:			
remuneration of Executive Directors		1,266,013	1,435,202
staff salaries and bonuses		10,811,805	5,158,960
equity settled share based payments with executive staff	22	153,767	-
Other staff related costs		1,370,623	547,093
Operating lease costs		449,858	208,568
IT Expenses		820,072	556,354
Office accommodation		315,500	147,452
Printing and marketing		4,832,965	3,775,919
Legal, professional and consulting fees		1,200,393	529,518
Travel and entertainment		886,666	483,247
Medical expenses		1,792,585	599,016
Auditor's remuneration:			
KPMG - Audit of financial statements		192,840	72,000
KPMG - Accounting advice		34,609	17,000
KPMG - Regulatory reporting		33,000	-
Fees to other tax advisers		34,310	31,336
Other operating expenses		1,036,549	644,262
Total commissions and operating expenses		**88,935,273**	**57,260,408**

12 Taxation

	2013 $	2012 $
Reconciliation of prima facie income tax		
Profit / (loss) before income tax	8,689,794	(135,045)
Income tax expense / (benefit) at statutory income tax rate of 28%	2,433,142	(37,813)
Increase / (reduction) in income tax expense / (benefit) due to:		
(Non-assessable income) / non-deductible expenses	(1,466,162)	(329,751)
Income tax effect of changes in temporary differences not recognised	(99,481)	289,497
Income tax effect of temporary differences reversing at a projected 0% tax rate	(1,018,332)	-
Income tax effect of current year tax losses not recognised	3,870,381	2,129,067
Income tax expense reported in the Statement of Comprehensive Income	**3,719,548**	**2,051,000**
Income tax expense comprises:		
Current tax expense	-	-
Deferred tax expense	3,719,548	2,051,000
	3,719,548	**2,051,000**

The Company has unrecognised income tax losses available to carry forward at 31 March 2013 of $22,367,904 (2012: $8,545,117). The availability of income tax losses carried forward is subject to statutory requirements being met, including shareholder continuity rules. The Company has unrecognised temporary differences at 31 March 2013 of $711,896 (2012: $1,067,187).

The Company has prepared its income tax calculation on the basis that its reinsurance treaty constitutes a risk reinsurance treaty for income tax purposes.

There is currently some uncertainty as to the tax treatment of such reinsurance treaties due to a current third party court case in this area, together with an IRD review of the taxation of life reinsurance which is currently being undertaken.

12 Taxation (continued)

If the IRD is successful in classifying reinsurance contracts as financial arrangements the Company believes there are good arguments to support the adoption of the accounting treatment for related arrangements which should minimise tax losses.

If the Company's arguments with respect to treating commission costs as a financial arrangement for tax purposes are unsuccessful the Company may incur significantly more tax losses than calculated above and may have to derecognise deferred tax assets relating to deferred reinsurance commission within the net deferred tax liability below.

	2013 $	2012 $
Deferred tax liabilities		
Balance at beginning of the year	2,051,000	-
Charged to statement of comprehensive income	3,719,548	2,051,000
Balance at end of the year	**5,770,548**	**2,051,000**
Deferred tax liabilities comprise:		
Taxable temporary differences within insurance contract assets and liabilities	5,770,548	2,051,000
	5,770,548	**2,051,000**

Deferred tax arising on taxable temporary differences within insurance contract assets and liabilities was not disclosed separately in the March 2012 financial statements, rather it was included within insurance contract assets and liabilities. In the current year it is disclosed as a separate line item with the comparative figures reclassified accordingly.

	2013 $	2012 $
Imputation Credit Account		
Balance at end of year	**62,130**	**21,019**

13 Cash and cash equivalents

	2013 $	2012 $
Cash at bank	4,975,446	6,832,899
Short term deposits	10,120,924	5,090,000
Total cash and cash equivalents	**15,096,370**	**11,922,899**

Cash and cash equivalents have a maturity of less than 3 months, or are readily convertible to cash, and are therefore all current.

Included within short term deposits are separate Term Deposits with Westpac New Zealand Limited of $120,924 (2012: $90,000) which the Company grants as security for the aggregate credit limits on its Westpac Business MasterCard facility. These Term Deposits earn interest on standard commercial terms.

14 Trade and other receivables

	Note	2013 $	2012 $
Sundry debtors and prepayments		246,900	276,775
Accrued investment income		76,005	360
Current tax		62,130	21,019
Amounts due from group companies	28	-	418,000
Reinsurance premiums paid in advance		275,031	131,117
Reinsurance recoverable on accrued claims	(i)	2,801,232	-
Trade receivables	(ii)	1,413,936	1,518,775
Trade and other receivables		**4,875,234**	**2,366,046**

Trade and other receivables have an expected realisation of less than 12 months and are therefore all current, with the exception of $360,139 of the reinsurance recoverable on accrued claims, which are non-current.

(i) Reinsurance recoverable on accrued claims

In the March 2012 financial statements reinsurance recoverable on accrued claims of $300,000 was included as part of insurance contract assets and liabilities. This amount has not been reclassified in the preparation of these financial statements.

(ii) Trade receivables

	2013	2012
Amounts due from advisers	862,569	271,501
Amounts due from policyholders	551,367	132,636
Amounts due from reinsurers	-	1,114,638
	1,413,936	**1,518,775**

Trade and other receivables are shown net of a provision established against amounts due from advisers of $280,000 (2012: nil), being management's assessment of amounts due where collection is doubtful. The gross amount of these impaired receivables is $280,000 (2012: nil).

15 Investments

	2013 $	2012 $
New Zealand Government stock	515,721	534,600
	515,721	**534,600**

Investments have an expected realisation of less than 12 months and are therefore all current. The government stock above matured on 15 April 2013 and was replaced with a further parcel of government stock with an identical face value and a maturity of 15 April 2015. The interest rate on government stock is fixed to maturity.

The total government stock holding is held on the Company's behalf by Public Trust as an authorised deposit under section 3 of the Life Insurance Act 1908, which was repealed in March 2012. However, the Company is unable to realise this investment until it has been granted a full licence under the Insurance (Prudential Supervision) Act 2010, which is anticipated to be before the end of September 2013.

16 Loans and receivables

	2013 $	2012 $
Secured loans to advisers	591,742	-
Unsecured loans to advisers	88,019	1,217,830
	679,761	**1,217,830**
Current	539,705	793,799
Non-current	140,056	424,031
	679,761	**1,217,830**

Loans to advisers:
From time to time the Company will enter into a loan agreement with certain of its advisers. Such loans are for a maximum term of three years, with interest charged on standard commercial terms. Secured loans to advisers are secured against all of the assets of the borrower via a charge registered under the Personal Property Securities Act 1999.

Loans and receivables are shown net of impairment losses of nil (2012: nil).

17 Property, Plant and Equipment

	Note	Office furniture 2013 $	Office equipment 2013 $	Computer equipment 2013 $	Total 2013 $
Gross carrying amount					
Balance at 1 April 2012		154,443	2,429	223,672	380,544
Additions		51,625	1,606	179,845	233,076
Written off		-	-	-	-
Disposals		-	-	-	-
Balance at 31 March 2013		**206,068**	**4,035**	**403,517**	**613,620**
Accumulated depreciation					
Balance at 1 April 2012		20,563	573	45,873	67,009
Depreciation expense	11	39,402	738	118,406	158,546
Written off		-	-	-	-
Balance at 31 March 2013		**59,965**	**1,311**	**164,279**	**225,555**
Net carrying value					
Balance at 31 March 2013		**146,103**	**2,724**	**239,238**	**388,065**

17 Property, Plant and Equipment (continued)

		Office furniture	Office equipment	Computer equipment	Total
		2012	2012	2012	2012
		$	$	$	$
Gross carrying amount					
Balance at 1 April 2011		37,908	1,755	34,717	74,380
Additions		116,535	674	188,955	306,164
Written off		-	-	-	-
Disposals		-	-	-	-
Balance at 31 March 2012		**154,443**	**2,429**	**223,672**	**380,544**
Accumulated depreciation					
Balance at 1 April 2011		1,672	88	2,251	4,011
Depreciation expense	11	18,891	485	43,622	62,998
Written off		-	-	-	-
Balance at 31 March 2012		**20,563**	**573**	**45,873**	**67,009**
Net carrying value					
Balance at 31 March 2012		**133,880**	**1,856**	**177,799**	**313,535**
Balance at 1 April 2011		**36,236**	**1,667**	**32,466**	**70,369**

18 Intangible assets

	Note	Computer software	Product research database	Total
		2013	2013	2013
		$	$	$
Gross carrying amount				
Balance at 1 April 2012		2,422,207	395,622	2,817,829
Acquisitions from third parties		2,089,361	-	2,089,361
Balance at 31 March 2013		**4,511,568**	**395,622**	**4,907,190**
Amortisation and impairment losses				
Balance at 1 April 2012		622,730	87,916	710,646
Amortisation for the year	11	1,153,770	131,874	1,285,644
Impairment loss		-	-	-
Balance at 31 March 2013		**1,776,500**	**219,790**	**1,996,290**
Net carrying value				
Balance at 31 March 2013		**2,735,068**	**175,832**	**2,910,900**

	Note	Computer software	Product research database	Total
		2012	2012	2012
		$	$	$
Gross carrying amount				
Balance at 1 April 2011		890,257	-	890,257
Acquisitions from third parties		1,531,950	395,622	1,927,572
Balance at 31 March 2012		**2,422,207**	**395,622**	**2,817,829**
Amortisation and impairment losses				
Balance at 1 April 2011		56,515	-	56,515
Amortisation for the year	11	566,215	87,916	654,131
Impairment loss		-	-	-
Balance at 31 March 2012		**622,730**	**87,916**	**710,646**
Net carrying value				
Balance at 31 March 2012		**1,799,477**	**307,706**	**2,107,183**
Balance at 1 April 2011		**833,742**	**-**	**833,742**

The Company has not capitalised any internally developed Computer Software.

On 29 August 2011, the Company purchased a product research database in an arms length transaction from Unique Solutions and Advice Limited, refer note 28.

19 Trade and other payables

	Note	2013 $	2012 $
Expense creditors and accruals		3,316,415	2,875,139
Employee entitlements		880,851	1,366,961
Amounts due to group companies	28	194,164	274,164
Claim accruals and provisions	(i)	4,016,968	-
Trade creditors	(ii)	3,448,761	2,772,087
		11,857,159	**7,288,351**

Trade and other payables have an expected realisation of less than 12 months and are therefore current, with the exception of $455,872 of claims accruals and provisions, which are non-current.

(i) Claim accruals and provisions
In the March 2012 financial statements claim accruals and provisions of $392,000 were included as part of insurance contract assets and liabilities. This amount has not been reclassified in the preparation of these financial statements.

(ii) Trade creditors

	2013	2012
Unearned premiums	539,692	231,633
Amounts due to advisers	1,868,870	2,540,454
Amount due to reinsurers	1,040,199	-
	3,448,761	**2,772,087**

20 Insurance contract assets and liabilities

	2013 $	2012 $
Net insurance contract assets and liabilities contain the following components:		
Present value of future policy benefits	158,459,000	49,263,000
Present value of future expenses	111,634,000	40,249,000
Present value of future planned margins of revenues over expenses	140,371,000	36,653,000
Present value of future premiums	(437,903,000)	(133,627,000)
Business valued using an accumulation model	8,000	-
Net insurance contract assets and liabilities	**(27,431,000)**	**(7,462,000)**
Disclosed as:		
Insurance contract assets	(142,060,848)	(53,081,560)
Insurance contract liabilities - reinsurance	108,859,300	43,568,560
Deferred tax liability arising on taxable temporary differences within insurance contract assets and liabilities	5,770,548	2,051,000
	(27,431,000)	**(7,462,000)**
Estimated discounted net cash inflows from insurance contract assets and liabilities		
Less than one year	2,321,000	3,291,000
One year to five years	15,965,000	10,641,000
Later than five years	(45,717,000)	(21,394,000)
Net insurance contract assets and liabilities future net cash inflows	**(27,431,000)**	**(7,462,000)**

The table above shows the estimated timing of discounted future net cash flows resulting from insurance contract assets and liabilities. This includes estimated future claims, offset by expected future premiums, expected future profit margins, reinsurance recoveries and other reinsurance cash flows. All values are discounted to the reporting date.

Reconciliation of movements in insurance contract assets and liabilities (gross of deferred tax liability)

	2013	2012
Insurance contract assets - gross of reinsurance		
Opening insurance contract assets	(53,081,560)	-
Movement recognised in the Statement of Comprehensive Income	(88,979,288)	(53,081,560)
Closing insurance contract assets	**(142,060,848)**	**(53,081,560)**
Current	(19,242,000)	(3,905,000)
Non-current	(122,818,848)	(49,176,560)
	(142,060,848)	**(53,081,560)**
Insurance contract liabilities - reinsurance		
Opening insurance contract liabilities - reinsurance	43,568,560	-
Movement recognised in the Statement of Comprehensive Income	65,290,740	43,568,560
Closing insurance contract liabilities - reinsurance	**108,859,300**	**43,568,560**
Current	21,563,000	7,196,000
Non-current	87,296,300	36,372,560
	108,859,300	**43,568,560**

21 Share Capital

Authorised, issued and fully paid up ordinary shares	**Notes**	**Number**	**$**
Balance at 1 April 2011		3,200,000	3,200,000
Issued for cash		17,900,000	17,900,000
Other contributed capital:			
Shares granted under share scheme to advisers	11, 22	-	895,092
Balance at 31 March 2012		**21,100,000**	**21,995,092**
Balance at 1 April 2012		21,100,000	21,995,092
Issued for cash		14,900,000	14,900,000
Other contributed capital:			
Shares granted under share scheme to advisers	11, 22	-	1,380,137
Shares granted under executive long term incentive plan	11, 22	-	153,767
Balance at 31 March 2013		**36,000,000**	**38,428,996**

All shares have equal voting rights, share equally in dividends and surplus on winding up, and have no par value.

Issue of shares:
On 31 August 2011 3,400,000 shares were issued to Partners Group Holdings Limited at $1 per share.
On 31 March 2012 14,500,000 shares were issued to Partners Group Holdings Limited at $1 per share.
On 29 August 2012 10,200,000 shares were issued to Partners Group Holdings Limited at $1 per share.
On 15 December 2012 4,700,000 shares were issued to Partners Group Holdings Limited at $1 per share.

22 Equity Settled Share Based Payments

The Company has two schemes:

a) Shadow share scheme with advisers:

The scheme remunerates independent financial advisers and is designed to incentivise advisers to write strong volumes of business while maintaining good persistency over a number of years.

The scheme involves a share appreciation right offering additional cash commission payments for qualifying policies sold and maintained by advisers. Such additional payments are dependent on the increase in the value of the shares of Partners Group Holdings Limited between grant date and the end of a minimum of a three year period, in accordance with the scheme rules. These entitlements carry no voting rights.

Partners Group Holdings Limited, through a Deed of Agreement with the Company, has undertaken to bear the liability to advisers arising under the scheme. The Company has no obligation to reimburse or repay Partners Group Holdings Limited. The Company has recognised an expense with respect to the share based payment obligation of $1,380,137 at 31 March 2013 (2012: $895,092), together with an equivalent contribution to equity from Partners Group Holdings Limited.

The main terms and conditions relating to the scheme are:

Eligibility - the scheme is open to all independent financial advisers who place business with the Company, subject to minimum production criteria in each scheme year. The advisers are allocated a shadow share for each $20 of issued annual premium, net of lapses, in each scheme year. These vest at the time of allocation.

Non vesting criteria - minimum persistency levels of 85% need to be maintained for a minimum of three years, with additional amounts payable where persistency exceeds 90% and 95%.

Method of settlement - entitlements arising under the scheme are expected to be met through the proceeds from the issue of new shares in the Company. Such an issue is to occur in a 12 month window from the third anniversary of the issue of the first tranche of shadow shares, subject to the terms and conditions of the scheme.

Summary of shadow shares granted under the scheme:	**2013**	**2013**	**2012**	**2012**
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at the beginning of the year	952,225	$2.25	-	$0.00
Granted during the year	1,422,751	$3.00	952,225	$2.25
Forfeited during the year	-	$0.00	-	$0.00
Exercised during the year	-	$0.00	-	$0.00
Expired during the year	-	$0.00	-	$0.00
Outstanding at the end of the year	**2,374,976**	**$2.70**	**952,225**	**$2.25**
Exercisable at the end of the year	-		-	
Weighted average remaining contractual life	31 months		36 months	
Range of exercise prices	$2.25 - $3.00		$2.25	

22 Equity Settled Share Based Payments (continued)

Fair values

The fair value of shadow shares issued was valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end "payoff" to reflect conditional outcomes applicable to the scheme at balance date.

The inputs used in the measurement of the fair value of shadow shares granted in the year and at balance date were as follows:

	Shadow shares to advisers		
	Tranche 2 at grant date 31 March 2013	**Tranche 1 at balance date 31 March 2013**	**Tranche 1 at grant date 31 March 2012**
Fair value per shadow share at grant / balance date	**$0.9700**	**$1.0567**	**$0.9400**
Inputs used to measure fair value:			
Grant date	31 March 2013	31 March 2012	31 March 2012
Valuation date	31 March 2013	31 March 2013	31 March 2012
Fair value of Partners Group Holdings Limited's shares at grant / balance date	$3.00	$3.00	$2.25
Exercise price	$3.00	$2.25	$2.25
Expected volatility	50%	50%	50%
Time to maturity	3 years	2 years	3 years
Expected dividend	$0.00	$0.00	$0.00
Risk-free interest rate	2.57%	2.43%	3.00%
Percentage of shadow shares granted to advisers with <85% persistency	22.10%	25.60%	0.00%
Percentage of shadow shares granted to advisers with 85 to 90% persistency	19.90%	21.20%	30.00%
Percentage of shadow shares granted to advisers with 90 to 95% persistency	26.50%	25.70%	30.00%
Percentage of shadow shares granted to advisers with >95% persistency	31.50%	27.50%	40.00%

The exercise price is based on the fair value of the shares of Partners Group Holdings Limited at grant date. Fair value is determined by the Board of Directors of Partners Group Holdings Limited at each grant date having regard to the issue of shares to investors on or around the grant date where applicable.

The expected volatility is the expected volatility of the returns in an investment in the Group. The valuation model considers the Group's start up growth phase position at balance date and includes risk factors for the magnitude and sustainability of business growth.

Sensitivity analysis of valuation assumptions at grant dates are as follows:

2013:
- Assuming a time to maturity of four years instead of three years gives a fair value per shadow share of $1.12.
- Assuming expected volatility of 60% instead of 50% gives a fair value per shadow share of $1.13.
- Assuming expected volatility of 40% instead of 50% gives a fair value per shadow share of $0.81.
- Assuming 15% of advisers do not meet the 85% persistency hurdle, with 25% in the 85 to 90% persistency range, 30% in the 90 to 95% range and 30% with > 95% persistency, gives a fair value per shadow share of $1.05.
- Assuming 30% of advisers do not meet the 85% persistency hurdle, with 20% in the 85 to 90% persistency range, 25% in the 90 to 95% range and 25% with > 95% persistency, gives a fair value per shadow share of $0.86.

2012:
- Assuming a time to maturity of four years instead of three years gives a fair value per shadow share of $1.08.
- Assuming 5% of advisers do not meet the 85% persistency hurdle, with 27.5% in the 85 to 90% persistency range, 27.5% in the 90 to 95% range and 40% with > 95% persistency, gives a fair value per shadow share of $0.90.
- Assuming 10% of advisers do not meet the 85% persistency hurdle, with 25% in the 85 to 90% persistency range, 27.5% in the 90 to 95% range and 37.5% with > 95% persistency, gives a fair value per shadow share of $0.85.

The intrinsic value at balance date of the liability for vested shadow shares is $714,169 (2012 $0).

b) Executive long term incentive plan:

This plan to incentivise and retain key executives is designed to encourage a focus on long term results and the Company's strategic plan.

The plan comprises three equal tranches of shares with different service, market and performance hurdles, to be met over the three year vesting period, plus a one year escrow period following vesting where conditions are met. The Board may at its discretion extend the term permitted to satisfy the performance targets for some tranches by a further two years. The plan is an equity settled arrangement.

Shares in the Company's parent are issued to key executives at an issue price of $2.25, funded by an interest free loan from Partners Group Holdings Limited. Shares issued to key executives are held by a trustee company, PGH Shareplan Trustee Limited. The shares for which service conditions and performance targets are met will fully vest to the executives on repayment of the loan. Any shares for which service or performance targets are not met will be put back to the Company's parent at the issue price in repayment of the loan.

The vesting conditions comprise completion of a defined period of service, growing the value of the Company to a defined level and an equity raising hurdle.

Summary of share entitlements granted under the plan:	**2013**	**2013**	**2012**	**2012**
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at the beginning of the year	-	$0.00	n/a	n/a
Granted during the year	1,025,000	$2.25	-	n/a
Forfeited during the year	-	$0.00	-	n/a
Exercised during the year	-	$0.00	-	n/a
Expired during the year	-	$0.00	-	n/a
Outstanding at the end of the year	**1,025,000**	**$2.25**	**-**	**n/a**
Exercisable at the end of the year	-		-	
Weighted average remaining contractual life	27 months		n/a	

22 Equity Settled Share Based Payments (continued)

Fair values

The fair value of shares granted was valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end "payoff" to reflect conditional outcomes applicable to the plan at balance date.

The inputs used in the measurement of the fair value at grant date were as follows:

	Executive long term incentive plan 2013	2012
Fair value at grant date	**$0.60**	**n/a**
Inputs used to measure fair value:		
Fair value of Partners Group Holdings Limited's shares at grant date	$2.25	n/a
Exercise price	$2.25	n/a
Expected volatility	50%	n/a
Time to maturity	3 years	n/a
Expected dividend	0	n/a
Risk-free interest rate	2.63%	n/a
Probability of achieving performance hurdle in respect of tranche 1 shares	100%	n/a
Probability of achieving performance hurdle in respect of tranche 2 shares	100%	n/a
Probability of achieving performance hurdle in respect of tranche 3 shares	50%	n/a

The exercise price is based on the fair value of the shares of Partners Group Holdings Limited at grant date.

The expected volatility is the expected volatility of the returns in an investment in the Group. The valuation model considers the Group's start up growth phase position at balance date and includes risk factors for the magnitude and sustainability of business growth.

Sensitivity analysis of valuation assumptions are as follows:

- Assuming expected volatility of 60% instead of 50% gives a fair value of $0.70.
- Assuming expected volatility of 40% instead of 50% gives a fair value of $0.43.
- Assuming a 50% probability of achieving the performance hurdles for both tranche 2 and 3 shares gives a fair value of $0.53.
- Assuming a 100% probability of achieving the performance hurdles for all tranches gives a fair value of $0.75.

23 Financial Instruments - Determination of fair value and fair value hierarchy

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets
Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data

Level 1 - Included in this category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arms length basis . Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

Level 2 - Included in this category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. Main asset classes included in this category are financial assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in hedge funds, private equity funds with fair values obtained via fund managers and assets that are valued using own models whereby the majority of assumptions are market observable.

Level 3 - Not based upon market observable input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Main asset classes in this category are hedge funds, private equity and limited partnerships.

The fair value of the financial assets are summarised in the table below:

Financial classification 2013	**Level 1 Amount 31 March 2013 $**	**Level 2 Amount 31 March 2013 $**	**Level 3 Amount 31 March 2013 $**	**Total fair value 31 March 2013 $**
Financial assets at fair value through profit and loss				
Cash and cash equivalents	15,096,370	-	-	15,096,370
Investment in securities	515,721	-	-	515,721
	15,612,091	**-**	**-**	**15,612,091**
2012	**Level 1 Amount 31 March 2012 $**	**Level 2 Amount 31 March 2012 $**	**Level 3 Amount 31 March 2012 $**	**Total fair value 31 March 2012 $**
Financial assets at fair value through profit and loss				
Cash and cash equivalents	11,922,899	-	-	11,922,899
Investment in securities	534,600	-	-	534,600
	12,457,499	**-**	**-**	**12,457,499**

24 Financial Instruments

Fair values

The following table sets out the carrying amount of all of the Company's financial instruments that are recognised in the financial statements, which approximates their fair value.

	Carrying Amount / Fair Value	
	2013	**2012**
	$	**$**
Financial assets:		
Cash and cash equivalents	15,096,370	11,922,899
Trade and other receivables (excluding prepaid expenses and reinsurance premiums and reinsurance recoverable on accrued claims)	1,552,071	1,958,154
Investment in securities	515,721	534,600
Loans and receivables	679,761	1,217,830
	17,843,923	**15,633,483**
Financial liabilities:		
Expense creditors and accruals	3,316,415	2,875,139
Employee entitlements (excluding annual leave provision)	300,000	1,111,744
Amounts due to group companies	194,164	274,164
Trade creditors (excluding unearned premiums)	2,909,069	2,540,454
	6,719,648	**6,801,501**

25 Cash Flow Reconciliation

	2013	**2012**
	$	**$**
Profit / (Loss) after Income Tax	4,970,246	(2,186,045)
Non-cash items and non-operating items:		
Depreciation	158,546	62,997
Amortisation of intangible assets	1,285,644	654,131
Share based payments	1,533,904	895,092
Unrealised gain on New Zealand Government Stock	18,871	8,599
Movement in insurance contract assets and liabilities:		
Movement in insurance contract assets	(88,979,288)	(53,081,560)
Movement in insurance contract liabilities - reinsurance	65,290,740	43,568,560
Movements in working capital:		
(Increase) / decrease in sundry debtors and prepayments	29,875	210,587
(Increase) / decrease in reinsurance premiums paid in advance	(143,914)	(131,117)
(Increase) / decrease in trade receivables	(2,813,149)	(1,518,775)
(Decrease) / increase in provision for employee entitlements	(486,110)	1,317,661
Increase / (decrease) in expense creditors and accruals	441,277	2,380,943
Increase / (decrease) in deferred tax liability	3,719,548	2,051,000
Increase / (decrease) in trade creditors	4,567,555	2,772,088
Net cash flows from operating activities	**(10,406,255)**	**(2,995,839)**

26 Commitments

Lease commitments:
Operating leases relate to office facilities with lease terms of between 1 to 4 years, with an option to extend for a further 3 years. All operating lease contracts contain market review clauses in the event that the Company exercises its option to renew. The Company does not have an option to purchase the leased asset at the expiry of the lease period.

Future minimum rentals payable under non-cancellable operating leases as follows:

	2013	**2012**
	$	**$**
Less than one year	549,201	512,072
Between one and five years	536,295	1,225,769
More than five years	-	-
	1,085,496	**1,737,841**

Capital commitments:
The Company has commitments for the purchase of intangible assets and property, plant and equipment at 31 March 2013 of $109,746 (2012: $122,225).

27 Contingent Liabilities

The Company has no contingent liabilities at 31 March 2013 (2012: Nil).

28 Related Parties

(i) Parent company

Partners Life Limited is a wholly owned subsidiary of Partners Group Holdings Limited, a company incorporated in New Zealand.

Parent	**Principal Activity**
Partners Group Holdings Limited	Holding Company

Wholly owned subsidiaries of Partners Group Holdings Limited	
Partners Life Limited	Life Insurance and related activities
Unique Solutions and Advice Limited	Insurance brokerage (now non-trading)
US Advisor Limited	Insurance brokerage (now non-trading)
PGH Shareplan Trustee Limited	Trustee Company

(ii) Transactions with key management personnel

Loans

The Company's parent Partners Group Holdings Limited ("PGHL") has made the following loans to key management personnel.

On 29 August 2012 PGHL provided an interest free loan of $843,750 to one of its key management personnel in connection with the executive long term incentive plan (refer note 22(b)). The loan is equal to the consideration for 375,000 ordinary shares in PGHL to be held in trust for the employee. Legal title to the shares will only be transferred to the employee if certain transfer conditions are met over a period to 31 July 2015 and the loan is repaid on the transfer date, being 31 July 2016.

On 22 January 2013 PGHL provided an interest free loan of $1,462,500 to another of its key management personnel in connection with the executive long term incentive plan (refer note 22(b)). The loan is an amount equal to the consideration for 650,000 ordinary shares in PGHL to be held in trust for the employee. Legal title to the shares will only be transferred to the employee if certain transfer conditions are met over a period to 31 July 2015 and the loan being repaid on the transfer date, being 31 July 2016.

There were no other loans or advances made to key management personnel.

Compensation of key management personnel

	Notes	2013 $	2012 $
Fees paid to non-executive directors		185,000	102,917
Salaries paid to executive directors and other key management personnel		2,712,889	2,631,789
Post employment benefits paid on behalf of executive directors and other key management personnel		24,203	20,628
Equity settled share based payments	11, 22	153,767	-
		3,075,859	**2,755,334**

Key management personnel are defined as being directors and senior management of the Company, those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

Transactions with Related Parties

(iii) Counterparty (relationship)	**2013 $ Received / (Paid)**	**2012 $ Received / (Paid)**
Partners Group Holdings Limited (parent company)		
Issue of Shares	14,900,000	17,900,000
Contribution in respect of Shadow Share Scheme	1,380,137	895,092
Contribution in respect of Executive Long Term Incentive Scheme	153,767	-
Reimbursement of expenses (inclusive of GST)	(264,794)	(255)
Unique Solutions and Advice Limited		
2013: subsidiary of parent company (2012: related party to N E Ballantyne)		
Loan advanced	-	(550,000)
Loan repaid	-	775,000
Interest on loan	-	7,545
Purchase of product research database (inclusive of GST)	-	(454,965)
IT and Risk and Compliance consultancy fees (inclusive of GST)	-	(349,308)
Reimbursement of expenses and fixed asset purchases (inclusive of GST)	(80,000)	(254,432)
Harbour Trust / (Related Party to R A Coon)		
Coupon interest paid by Harbour Trust	-	3,485
KNK Enterprises (Related Party to N E Ballantyne)		
Purchase of consumables and fixed assets (inclusive of GST)	(14,653)	(66,736)
Stingray Bay Farms Limited (Related Party to Wiltshire Family Trust, non-director shareholder of Parent Company)		
Rent and operating expense payments (inclusive of GST)	(602,437)	(303,916)
Rent rebates received (inclusive of GST)	82,800	82,800
Monte Holdings Limited (Related Party to Wiltshire Family Trust, non-director shareholder of Parent Company)		
Rent and operating expense payments (inclusive of GST)	(112,550)	(42,146)

28 Related Parties (continued)

Transactions with Related Parties (continued)

	Note	2013 $ Received / (Paid)	2012 $ Received / (Paid)
Independent financial advisers who are shareholders of the Parent Company			
Loans advanced	16	(20,000)	(1,103,596)
Loan repayments made	16	862,616	27,579
Interest on loans		13,293	5,654
Fair value of shadow shares issued	22	(161,314)	(137,402)

(iv) Balances with Related Parties

	Note	2013 $ Receivable/ (Payable)	2012 $ Receivable/ (Payable)
Partners Group Holdings Limited	14	-	418,000
Unique Solutions and Advice Limited - Intercompany account	19	(194,164)	(274,164)
KNK Enterprises		-	(691)
Independent financial advisers who are shareholders of the Parent Company	16	233,401	1,076,017

Outstanding balances at year-end are unsecured, interest free, and settlement occurs in cash, with the exception of the former loan to Unique Solutions and Advice Limited and loans to advisers who are shareholders of the Parent Company, the terms of which are disclosed in Note 16.

29 Subsequent Events

On 25 June 2013 11,690,000 shares were issued to Partners Group Holdings Limited at $1 per share, fully paid in cash.

On 18 July 2013 60,000 shares were issued to Partners Group Holdings Limited at $1 per share, fully paid in cash, bringing total shares on issue to 47,750,000.

On 29 July 2013 the Company entered into a reinsurance treaty with SCOR in respect of the 2014/15 financial year and signed amendments to the 2013/14 treaty.

On 29 July 2013 SCOR entered into retrocession agreements with Berkshire Hathaway and PartnerRe in respect of the 2013/14 and 2014/15 treaties.

Independent auditor’s report

To the shareholder of Partners Life Limited

Report on the financial statements

We have audited the accompanying financial statements of Partners Life Limited ("the company") on pages 4 to 34. The financial statements comprise the statement of financial position as at 31 March 2013, the statements of comprehensive income, changes in equity and cash flows 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 that give a true and fair view of the matters to which they relate, and for such internal control 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 internal control relevant to the company’s preparation of the 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 company's internal control. 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.

Our firm has also provided other services to the company in relation to general accounting services. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. There are however certain restrictions on dealings which the partners and employees of our firm can have with the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Opinion

In our opinion the financial statements on pages 4 to 34:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 31 March 2013 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Partners Life Limited as far as appears from our examination of those records.

KPMG

1 August 2013
Auckland

MELVILLE JESSUP WEAVER

Towers Watson Alliance Partner

1 August 2013

Mr Sean Kam
Chief Financial Officer
Partners Life Limited
TAKAPUNA

Dear Sir

Report under section 78 of the Insurance (Prudential Supervision) Act 2010
Review of *actuarial information* for Partners Life Limited 31 March 2013

a) This report has been completed by Linda Caradus FNZSA FIAA, Appointed Actuary to Partners Life Limited.

b) I have provided to the Board of Partners Life Limited a Financial Condition Report as at 31 March 2013. My report was dated 31 July 2013. In that report I provided my assessment of the overall financial condition of Partners Life Limited, having reviewed the operations of the company, its finances and its approach to risk management. My report also set out an assessment of the Company's current and expected future solvency position determined under the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand in August 2011. My report was prepared in accordance with both that Solvency Standard and Professional Standard No 13 "Life Insurers – Financial Condition Report" issued on 10 July 2013 by the NZ Society of Actuaries.

c) There were no restrictions or limitations placed on my work or on my report.

d) I have no relationship with Partners Life Limited other than being its Appointed Actuary. I hold no interests in Partners Life Limited.

e) I obtained all of the information I required.

f) In my opinion and from an actuarial perspective:

   i. the actuarial information included in the Partners Life Limited financial statements as at 31 March 2013 was appropriately included in those financial statements, and

   ii. the actuarial information used in the preparation of the Partners Life Limited financial statements as at 31 March 2013 was used appropriately.

g) The solvency margin that applies to Partners Life Limited under a condition imposed under section 21(2)(b) of the Insurance (Prudential Supervision) Act 2010 as at 31 March 2013 was the margin set out in the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand in August 2011. In my opinion and from an actuarial perspective, Partners Life Limited is maintaining that solvency margin as at 31 March 2013.

Yours faithfully

Linda Caradus
Fellow of the NZ Society of Actuaries

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PARTNERS LIFE LIMITED ("the Company")
CORPORATE GOVERNANCE STATEMENT

The Board

The Company's Board of Directors (the Board) is comprised of 2 Executive Directors and 4 Non-Executive Directors.

The Board is responsible for establishing, monitoring and updating the Company's corporate governance framework, and is committed to carrying out this role in accordance with best practice and all applicable laws and regulations.

The Board is the overall body, with dual responsibilities for controlling and monitoring the operations of the Company on behalf of the shareholders of the Company's parent and sole shareholder, Partners Group Holdings Limited and the protection of the Company's policyholders.

Directors are elected by the shareholders of Partners Group Holdings Limited and are accountable for the performance of the group and compliance with all applicable laws and standards.

The Board's collective experience includes a balance of insurance, management, financial, investment, administrative and market expertise appropriate for the requirements of the business.

Half of the Directors are independent, as noted in the table below.

The qualifications and experience of the Directors are also set out in the table below:

DIRECTOR	ROLE	BIOGRAPHY
Naomi Ballantyne	Managing Director	Naomi was a founding employee of Sovereign and was known as the creator of Sovereign's corporate culture during her time there. Naomi founded Club Life in 2001 and continued to lead the company for five years after she sold the company to ING (NZ) Ltd in 2004, during which time ING Life experienced rapid growth to become the second largest life insurance company in New Zealand by new business market share. Naomi left ING Life in September 2009 to build a new, nationwide advisory business called US Advice. Us Advice was acquired by the Partners Group in August 2011 to become the base for the group's adviser services arm.

Chris Coon	Executive Director and Company Actuary	Chris is a qualified actuary and held a number of positions with life insurance companies in the United Kingdom before immigrating to New Zealand in 1986. In 1989 Chris founded Sovereign Assurance, which grew to become the largest life insurance company in New Zealand. Sovereign was sold to the ASB Bank in December 1998. Chris then went on to create Sentinel Limited, a home equity release specialist, with his brother Richard.
Sam Knowles	Chairman and Non-Executive Director (Independent)	Sam has had a successful career in the Australian and New Zealand financial sector with more than 20 years' experience at senior management level. Sam was Chief Executive Officer of Kiwibank from July 2000 to October 2010, Chief Executive Officer of At Work Insurance Limited from March 1999 to June 2000 and has held a number of other senior management roles in the banking industry. Sam is currently Chairman of Xero Limited, Unlimited Realities Limited and OnBrand Limited and is also a director of Trustpower Limited, SLI Systems Limited, Rangatira Limited and Angel HQ Inc. Sam holds a Bachelor of Science from Waikato University and a Master of Science from the University of Canterbury.
Joanna Perry	Audit & Risk Committee Chairman and Non-Executive Director (Independent)	Joanna is an experienced non-executive director currently holding directorships with Genesis Energy, Trade Me Group, Kiwi Income Property Trust, the Co-operative Bank, Sport New Zealand and New Zealand Rowing. She also currently serves as an advisor to the Board of Tainui Group Holdings, as a member of the IFRS Interpretations Committee and is Chairman elect of the Investment Advisory Panel of the Primary Growth Partnership. Joanna was previously a partner at KPMG, a member of the Securities Commission, Chair of the Financial Reporting Standards Board and a member of the Australian Accounting Standards Board. Joanna was awarded Membership of the New Zealand Order of Merit in 2010 for services to accounting. She holds a Master of Arts, Economics, from Cambridge University, qualified as a member of the Institute of Chartered Accountants in England and Wales and is a fellow of the New Zealand Institute of Chartered Accountants.

Paul Chrystall	Non-Executive Director	Paul has more than 30 years' business experience, particularly in private equity and investment related activities. He is currently the Managing Director of Maui Capital Limited and in this role is also a director of the following companies, Funds and their relevant related subsidiaries: The Indigo Fund, The Aqua Fund, BJ Ball Group, Euro Corporation, Freshmax Group and Diversified Mining Services. Prior to co-founding Maui Capital in 2008, Paul was Head of Private Equity at Goldman Sachs JB Were (New Zealand) in which capacity he managed the Hauraki 1 and Hauraki 2 Funds. Prior to his involvement in private equity, Paul held a number of senior corporate or finance management and investment banking roles both in New Zealand and Europe across many industries and in various banking roles. Paul holds a Bachelor of Commerce from the University of Auckland.
Boyd Klap	Non-Executive Director (Independent)	The original Chairman of the Company, Boyd has had a long and distinguished career in the life insurance and pension industries. He is a fellow of the Institute of Management. He has previously served as Chief Executive for both Prudential New Zealand and the Life Offices Association and as Chairman of Sentinel Limited. Boyd was also Chairman of the Police Superannuation Fund and a consultant to PriceWaterhouseCoopers. He was awarded Companion of the Queens Service Order for community service in 1993 and in 2011 he became a Companion of the New Zealand Order of Merit.

Governance Structure

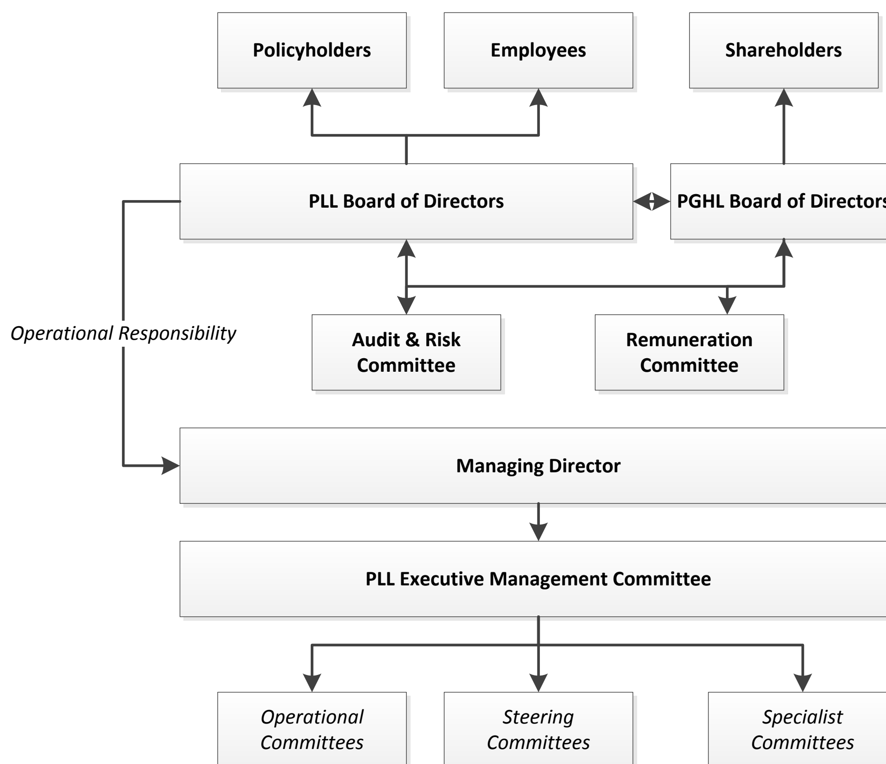
The Company is the trading entity within the wider Partners Group, as such its governance structure is linked to the Group's governance structure, which includes separate Board sub-committees for Audit & Risk and Remuneration.

The Chair of the Board and Chair of the Audit & Risk Committee are separated and held by independent directors.

The Board has delegated to the Managing Director the day-to-day management of the Company and has put in place a formal Delegation of Authority policy. The Board undertakes an annual strategic planning process and approves the annual budget prepared by management based on the strategic direction set by the Board.

The Board monitors the actual performance of the company against budget on a regular basis.

Diagrammatically, the corporate governance structure of the wider group is set out as follows:

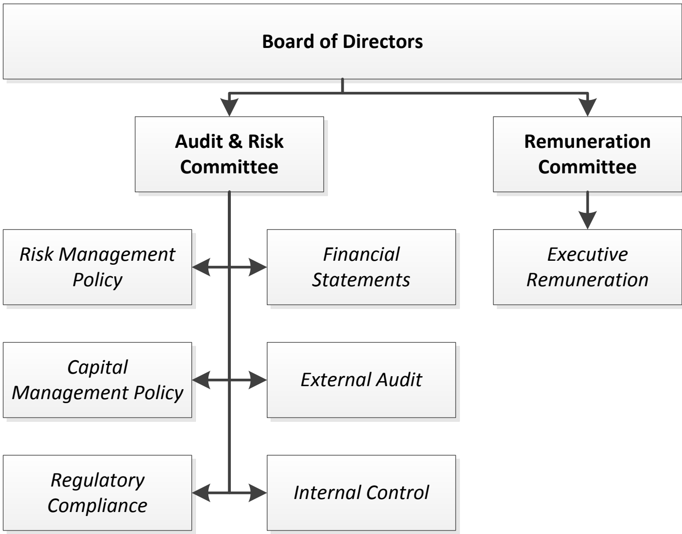


Policies & Responsibilities

The Board maintains a number of policies, practices, and processes as part of the corporate governance framework. The Board, and each committee, have specific charters and relevant policies exist for:

- Risk Management;
- Capital Management;
- Fit & Proper Persons;
- Crisis Management; and
- Delegations of Authority.

The Board remains ultimately responsible for corporate governance, but has formed the Audit & Risk and Remuneration committees to assist it in discharging its responsibilities. Each committee can advise and make recommendations, however final decision making rests with the Board. The prime responsibilities of each committee are as shown below.


Board of Directors
Audit & Risk Committee
Remuneration Committee
Risk Management Policy
Financial Statements
Executive Remuneration
Capital Management Policy
External Audit
Regulatory Compliance
Internal Control