Partners Life Limited

Financial Statements for the year ended

31 March 2015

partnersLIFE
Rewarding partnership – for life

Financial Statements

For the year ended 31 March 2015

Report Contents

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 2015.

For and behalf of the Board of Directors

I S Knowles	J M G Perry
Chairman of Directors	Chairman of the Audit and Risk Committee
30 July 2015	30 July 2015

Company Directory

As at 31 March 2015

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 P Chrystall I S Knowles (Chairman) J M G Perry L W Jenkins C L Coon (resigned 16 March 2015)
Auditor	KPMG 18 Viaduct Harbour Avenue Auckland
Bankers	Westpac New Zealand Limited
Solicitors	Chapman Tripp 23 Albert Street Auckland

Partners Life Limited Statement of Comprehensive Income

In thousands of New Zealand Dollars	**Note**	**For the year ended 31 March 2015**	**2014 ***
Premium revenue			
Premium revenue		101,929	68,721
Less: Outward reinsurance expense		(61,544)	(42,140)
Net premium revenue		**40,385**	**26,581**
Net reinsurance commission revenue		70,748	57,801
Net investment revenue	15	1,569	733
Net revenue		**112,702**	**85,115**
Claims expense		44,364	27,670
Less: Reinsurance recoveries		(23,538)	(16,716)
Net claims expense		**20,826**	**10,954**
Net movement in insurance contract assets and liabilities	18	(35,173)	(11,963)
Commissions and operating expenses	16	108,596	88,979
Total expenses including movement in insurance contracts		**94,249**	**87,970**
Profit / (loss) before income tax		**18,453**	**(2,855)**
Income tax expense	17	-	-
Profit / (loss) for the period	1	**18,453**	**(2,855)**
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		**18,453**	**(2,855)**

* Amounts published in the 31 March 2014 Statement of Comprehensive Income have been reclassified to be presented on the same basis as the current period. (Refer note 8 for details of the reclassification).

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

Partners Life Limited Statement of Financial Position

In thousands of New Zealand Dollars	Note	As at 31 March 2015	2014 *
Assets			
Cash and cash equivalents		41,011	22,723
Trade and other receivables	19	14,111	7,746
Investments	20	514	528
Loans	21	1,336	924
Insurance contract assets *	18	290,469	238,466
Property, plant and equipment	22	400	272
Intangible assets	23	2,637	2,978
Total Assets		**350,478**	**273,637**
Liabilities			
Trade and other payables	24	25,444	17,294
Insurance contract liabilities - reinsurance *	18	148,435	142,353
Present value of future tax payable in insurance contract assets and liabilities *	18	67,467	56,719
Total Liabilities		**241,346**	**216,366**
Net Assets		**109,132**	**57,271**
Equity			
Share capital	29	91,923	58,515
Retained earnings / (loss)		17,209	(1,244)
Total Equity		**109,132**	**57,271**

* Balances published in the 31 March 2014 Statement of Financial Position, and the beginning of the comparative period, have been reclassified to be presented on the same basis as the current period. (Refer note 8 for details of the reclassification).

For and on behalf of the Board who authorised the issue of this report on 30 July 2015.

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.

Partners Life Limited Statement of Changes in Equity

For the year ended 31 March 2015

In thousands of New Zealand Dollars	Note	Contributed capital	Retained earnings	Total Equity
Balance at 1 April 2013		**38,429**	**1,611**	**40,040**
Loss for the period		-	(2,855)	(2,855)
Total comprehensive loss for the period		**-**	**(2,855)**	**(2,855)**
Transactions with owners of the Company				
Shares issued	29	17,900	-	17,900
Equity settled share based payments	29,30	2,186	-	2,186
Total transactions with owners of the Company		20,086	-	20,086
Balance at 31 March 2014		**58,515**	**(1,244)**	**57,271**
Balance at 1 April 2014		**58,515**	**(1,244)**	**57,271**
Profit for the period		-	18,453	18,453
Total comprehensive profit for the period		**-**	**18,453**	**18,453**
Transactions with owners of the Company				
Shares issued	29	31,330	-	31,330
Equity settled share based payments	29,30	2,078	-	2,078
Total transactions with owners of the Company		33,408	-	33,408
Balance at 31 March 2015		**91,923**	**17,209**	**109,132**

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

Partners Life Limited Statement of Cash Flows

In thousands of New Zealand Dollars	Note	For the year ended 31 March 2015	2014
Cash flows from operating activities			
Premium received		101,844	68,905
Reinsurance recoveries received		18,896	13,030
Reinsurance commission received		62,663	55,320
Interest received		1,580	726
Reinsurance premiums paid		(56,862)	(37,009)
Claims paid		(36,382)	(24,319)
Net commission paid to advisers		(70,345)	(56,383)
Payments to suppliers and employees		(32,110)	(28,129)
Payment of taxes		(2)	(28)
Net cash used in operating activities	28	**(10,718)**	**(7,887)**
Cash flows from investing activities			
Net loans to advisers		(412)	(244)
Net advances to group companies		(66)	(107)
Acquisition of property, plant and equipment		(309)	(67)
Acquisition of intangible assets		(1,537)	(1,968)
Net cash used in investing activities		**(2,324)**	**(2,386)**
Cash flows from financing activities			
Proceeds from issue of shares	29	31,330	17,900
Net cash inflow from financing activities		**31,330**	**17,900**
Net increase in cash and cash equivalents		**18,288**	**7,627**
Cash and cash equivalents at 1 April		22,723	15,096
Cash and cash equivalents at 31 March		**41,011**	**22,723**
Being:			
On demand bank deposits		9,947	5,723
Short term bank deposits		31,064	17,000
Cash and cash equivalents at 31 March		**41,011**	**22,723**

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

1. Sources of profit / (loss)

		For the year ended 31 March	
In thousands of New Zealand Dollars	**Note**	**2015**	**2014**
Profits / (losses) emerging under the MoS methodology were as follows:			
Planned margins of revenues over expenses		7,807	5,648
The difference between actual and assumed experience:			
Experience variances		(4,132)	(6,332)
Underlying insurance profit / (loss)		**3,675**	**(684)**
Net investment revenue	15	1,569	733
Changes to discount rates	11	14,709	(1,824)
One-off adjustments:			
Adjustment for unearned premium reserve		-	(1,080)
Adjustment for claims incurred but not reported reserve		(1,500)	-
Total sources of profit / (loss)		**18,453**	**(2,855)**

2. Reporting entity

Partners Life Limited (the "Company") is a profit-oriented company domiciled in New Zealand and registered under the Companies Act 1993. Its parent and ultimate holding company is Partners Group Holdings Limited.

The Company is a reporting entity for the purposes of the Companies Act 1993, the Financial Markets Conduct Act 2013, and the Financial Reporting Act 2013, and its financial statements comply with these Acts. The financial statements are also prepared to comply with the Insurance (Prudential Supervision) Act 2010.

The Company is a licenced life insurer under the Insurance (Prudential Supervision) Act 2010.

The annual report was authorised for issue by the Board of Directors on 30 July 2015.

The financial statements comprise statements of: comprehensive income; financial position; changes in equity; cash flows; and explanatory notes.

3. Statement of compliance and reporting framework

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”), as a for-profit entity, and comply with International Financial Reporting Standards (‘IFRS’), and New Zealand Equivalent to International Financial Reporting Standards (‘’NZ IFRS’’).

4. Basis of preparation

The financial statements have been prepared on the historical cost basis except for insurance contract assets and liabilities which are stated at actuarially assessed values, and investments and cash and cash equivalents which are stated at fair value.

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

5. Going concern

The financial statements have been prepared on a going concern basis.

The Company is required to meet certain solvency ratios as required both by the Reserve Bank of New Zealand and the Company's reinsurer (SCOR). These requirements are described elsewhere (refer note 13 and note 14) in these financial statements. As at the balance date and as at the date of approval of these financial statements the Company complies with these requirements. The continuing growth of the business means the Company is reliant on both current and future reinsurance capacity as well as future equity capital funding to ensure it continues to meet these solvency requirements. In considering the forecast cash flows of the business over the next 12 months the directors have determined that there is a need to raise further equity capital during that period.

The directors, together with the directors of the Company's sole shareholder, Partners Group Holdings Limited ("PGHL"), have considered such future requirements and are confident of the ability to obtain ongoing reinsurance capacity and the required equity capital.

At the time of approval of the financial statements PGHL's directors are actively seeking equity capital. Based on the expression of interest received from investors and PGHL's demonstrated historical ability to raise equity capital successfully, the PGHL directors are highly confident the equity capital currently being sought will be raised.

Once PGHL has completed this capital raising the majority of new capital will be passed down to the Company through the Company issuing new shares to PGHL.

6. Application of new and revised International Financial Reporting Standards ('IFRS's')

In the current year, the Company has adopted all new and revised mandatory standards, amendments, and Interpretations. None had a material impact on these financial statements.

7. New and revised IFRS's approved but not yet effective

There are a number of Standards, Amendments and Interpretations which have been approved but are not yet effective. The Company expects to adopt these when they become mandatory, and is assessing their impact on the financial statements. Key IFRS's applicable to the Company include:

NZ IFRS 9 Financial Instruments (effective 1 January 2018)

Specifies a simpler methodology for classifying and measuring financial assets.

Statutory Funds (Amendments to Appendix C of NZ IFRS 4 Insurance Contracts) – Life Insurance Entities

The amendment has been issued to be consistent with the Amendments to the Insurance (Prudential Supervision) Act 2010. Appendix C of NZ IFRS 4 requires disclosures in relation to the statutory funds of life insurance entities under that Act. In addition, disaggregated information for each life fund is required to be disclosed. The amendments are to be applied for reporting periods beginning on or after 1 July 2014.

8. Comparatives

Where applicable, comparatives have been adjusted to measure or present them on the same basis as current period figures.

There has been a change in the presentation of tax on the face of the Statement of Financial Position and the resulting tax expense in the Statement of Comprehensive Income. The changes have no impact on net assets or total comprehensive income for the comparative period. Refer to note 11 and note 17 for details on the tax treatment adopted.

The revised presentation has the present value of future tax payable within insurance contract assets and liabilities disclosed separately in the Statement of Financial Position. In the previous period a deferred tax liability was separately disclosed from within insurance contract assets and liabilities, calculated as the tax effect of timing differences embedded within insurance contract assets and liabilities.

Statement of Comprehensive Income (extract)

	For the year ended 31 March	
In thousands of New Zealand Dollars	**2014 (adjusted)**	**2014**
Net movement in insurance contract assets and liabilities	(11,963)	(18,946)
Income tax expense	-	6,983
Total	**(11,963)**	**(11,963)**

Statement of Financial Position (extract)

	31 March	**31 March**
In thousands of New Zealand Dollars	**2014 (adjusted)**	**2014**
Assets		
Insurance contract assets	238,466	159,649
Liabilities		
Present value of future tax payable in insurance contract assets and liabilities	(56,719)	-
Deferred tax liabilities	-	(12,754)
Insurance contract liabilities - reinsurance	(142,353)	(107,501)
Net Insurance Contract Assets and Liabilities	**39,394**	**39,394**

9. Summary of significant accounting policies

9.1 Premium revenue

Premiums for insurance contract business are recognised as revenue on an accrual basis. The unearned portion of premium revenue is recognised in the Statement of Financial Position in trade and other payables, and in insurance contract assets.

9.2 Net reinsurance commission revenue

Net reinsurance commission revenue includes inwards reinsurance commission on issued policies containing reinsured benefits, net of commission repayable as a result of policy discontinuances. It is recognised when the right to receive is established.

9. Summary of significant accounting policies (continued)

9.3 Claims expense

Claims expenses are recognised when the liability to a policy holder has been established, or when the Company has been notified of a claim event. A provision of estimated expenses for claims that have not yet been reported is included in trade and other payables. The claims provision for disability income products is calculated as the present value of the estimated payments.

9.4 Commissions and operating expenses

Commission paid to independent advisers, and the Company's operating expenses, have been apportioned between acquisition and maintenance costs which determine the timing of expense recognition for life insurance companies (refer note 16).

Acquisition costs

Acquisition costs are the fixed and variable costs of acquiring new business, including adviser commission expenses and similar distribution costs related to accepting, issuing and initially recording policies.

Acquisition costs are spread over the period in which insurance services are provided. The expense is recognised as a component of the net movement in insurance contract assets and liabilities in the Statement of Comprehensive Income. Unamortised acquisition costs are a component of insurance contract assets and liabilities in the Statement of Financial Position.

Maintenance costs

Maintenance costs include renewal and as earned commission costs and all operating costs of the Company other than acquisition costs.

Maintenance costs are the fixed and variable costs of administering policies subsequent to sale. These include general growth and development costs.

Maintenance costs are recognised on an accrual basis and expensed in the Statement of Comprehensive Income as incurred.

9.5 Outward reinsurance expense

Premiums ceded to reinsurers under reinsurance contracts are recorded as outward reinsurance expense and recognised when they become due and payable in accordance with the terms and conditions of the reinsurance contracts. The prepaid portion of premium ceded is recognised in the Statement of Financial Position in trade and other receivables and in insurance contract liabilities.

9.6 Reinsurance recoveries

Reinsurance recoveries are recognised as revenue at the same time the claim expense is recognised, if the underlying policy is reinsured. The reinsurance recovery provision for disability income products is calculated as the present value of the recoverable amounts.

9. Summary of significant accounting policies (continued)

9.7 Life and major medical insurance business

The life and major medical insurance operations consist of insurance contract business only.

Insurance contract business are contracts that transfer significant insurance risks from the policyholder to the insurer.

Insurance contract assets and liabilities 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.

The methodology used to determine the value of life insurance contract assets and liabilities is referred to as Margin on Services ("MoS"), as set out in New Zealand Society of Actuaries Professional Standard No 20: Determination of Life Insurance Policyholder Liabilities ("PS20").

MoS is designed to recognise profits on insurance as services are provided to policyholders and income is received. Profits are deferred and recognised over the life of the insurance 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.

The movement in insurance contract assets and liabilities during the period is recognised in the Statement of Comprehensive Income.

Details of the actuarial assumptions used in the calculation of insurance contract assets and liabilities are set out in Note 11.

9.8 Intangible assets

Computer software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the period for which benefits are expected to be derived which is assessed to be three years. 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.

9.9 Cash and cash equivalents

Cash and cash equivalents comprise on 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.

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

9. Summary of significant accounting policies (continued)

9.10 Share-based payment arrangements

Employees

Equity settled share based payments to employees are measured as the option fair value at grant date.

The option fair value determined at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity.

Advisers

Equity settled share based payment transactions with advisers (shadow share scheme) provides additional commission payments on a deferred basis subject to persistency criteria for qualifying policies sold and maintained by advisers. The entitlements do not represent an ownership interest in the Company.

The option fair value of shadow shares at grant date is recognised as a commission expense, with a corresponding increase in equity.

9.11 Taxation

The discounted tax cash flows embedded in the insurance contract assets and insurance contract liabilities - reinsurance balances, are netted and disclosed separately in the Statement of Financial Position as present value of future tax payable in insurance contract assets and liabilities.

The movement in present value of future tax payable is included in the net movement in insurance contract assets and liabilities reported in the Statement of Comprehensive Income.

10. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Share based payments

The value of shadow shares issued to advisers, and share options issued to executives, have been calculated using a binomial option pricing model which has a number of assumptions. An independent opinion was received on the volatility and risk free rates assumptions which were applied in the model. Refer Note 30.

Insurance contract assets and liabilities

Insurance contract assets and liabilities, and reinsurance contracts, are valued using statistical or mathematical methods. The valuations are made by suitably qualified members of the New Zealand Society of Actuaries on the basis of actuarial methods set out in Professional Standards issued by the New Zealand Society of Actuaries, a full member of the International Actuarial Association. The methodology takes into account the risks and uncertainties of the particular classes of insurance business written.

10. Critical accounting judgements and key sources of estimation uncertainty (continued)

The key factors that affect the estimated value of the insurance contract assets and liabilities are:

- The cost of providing benefits and administering the insurance contracts.
- The costs incurred in acquiring the insurance policies (acquisition costs), including adviser commissions, underwriting and policy issue costs.
- Mortality and morbidity experience on life insurance products.
- Discontinuance experience which affects the ability to recover acquisition costs.
- Reinsurance arrangements and timing of future cash flows under these arrangements, which include reinsurance expense, reinsurance recoveries, reinsurance commission revenue.
- Future premium rates.
- Use of tax losses and the ability to generate tax losses in the future.
- Other factors such as regulation, competition, interest rates, and general economic conditions are used in the valuation of insurance contract assets and liabilities.

11. Actuarial methods and assumptions

The actuarial report on insurance contract assets and liabilities, effective 31 March 2015, was prepared by A Gardiner, Fellow of the New Zealand Society of Actuaries, and signed on 30 July 2015.

The actuarial report indicates that the Actuary was satisfied as to the accuracy of the data upon which the insurance contract assets and liabilities have been determined and the level of additional reserves for claims (net of reinsurance) included within trade and other payables / trade and other receivables.

Methods used in the valuation of insurance contract assets and liabilities

The Actuary certified that the value of insurance contract assets and liabilities, including reserves for claims, has been determined in accordance with methods and assumptions disclosed in the actuarial report and with Professional Standard No. 20 “Determination of Life Insurance Policy Liabilities” of the New Zealand Society of Actuaries.

Insurance contract assets and liabilities were measured as the present value of expected future cash flows plus allowances for the cost of policyholders electing to exercise various options in the future.

The profit carrier, claims, was used as the basis on which to spread the expected future profit.

11. Actuarial methods and assumptions (continued)

Actuarial assumptions used in the valuation of insurance contract assets and liabilities

a) Discount rates

Benefits under the insurance contracts are not contractually linked to the performance of assets held. As a result, the insurance contracts were discounted for the time value of money using risk-free discount rates derived from returns on NZ government bonds as at the valuation date.

The risk-free rates (before tax) applied in the valuation process were monthly forward rates. Equivalent annual rates are:

Years from valuation date	At 31 March 2015	At 31 March 2014
1	3.26%	3.46%
5	3.26%	4.86%
10	3.59%	5.40%
15	3.78%	5.45%
20	4.03%	5.50%

b) Acquisition expenses

Acquisition expense assumptions were based on the actual acquisition expenses incurred for the year ending 31 March 2015. The method is unchanged from 2014.

c) Maintenance expenses

Maintenance expense assumptions were based on the Company's business plan for the next five years, allowing for new business expected. After this time an assumed inflation rate of 2.5% per annum was used. The method is unchanged from 2014.

d) Taxation

The taxation base for the business has changed since that applied at 31 March 2014.

The financial arrangement rules continue to be applied to the Company's reinsurance arrangements, while broker commissions are now considered tax deductible up front, refer Note 17. This new basis is assumed to continue and the future rate of taxation was assumed to be 28%, applicable after an initial period of 128 months (2014: 36 months) during which it was assumed no tax would be payable.

This initial period was determined by projecting cash flows from business in-force at balance date, together with cash flows from future new business the Company is expecting to write, and considering the probable use of past tax losses available to carry forward.

e) Mortality and morbidity

Assumed mortality and morbidity rates vary by age, sex and smoking habits and have been based on the Company's experience and rates from reinsurer tables. The method is unchanged from 2014.

11. Actuarial methods and assumptions (continued)

f) Lapses

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 range of lapse rates for each related product group at 31 March 2015 are tabled below (2014: 8.5% to 17.5%, across all product groups).

Related product group	Discontinuance rates
Life and life with accelerated benefits	7.50% - 16.25%
Trauma standalone	9.25% - 16.75%
Total and permanent disability standalone	9.50% - 14.75%
Disability income	8.50% - 15.00%
Medical	6.50% - 10.75%

g) Indexation

Indexation of certain benefits (where applicable) were assumed to be 2.5% per annum (2014: 2.5% per annum), except for the calendar year 2015 where allowance was made for the increase rate known to be applicable during that year.

h) Inflation

The inflation rate assumption was determined on a basis consistent with the medium to long term Reserve Bank of New Zealand inflation target of between 1% and 3%. The rate assumed was 2.5% (2014: 2.5%)

i) Premium increases

Increases in insurance premium rates for non-medical business were assumed at 1% per annum for the next 5 years (2014: nil).

11. Actuarial methods and assumptions (continued)

Impact of changes in assumptions between 31 March 2014 and 31 March 2015

The following table shows the effect on the present value of planned profit margins and insurance contract assets and liabilities as at 31 March 2015 of changes in the actuarial assumptions. The effect is measured on business in force at 31 March 2014, which remains in force at 31 March 2015.

For the year ended 31 March 2015 *In thousands of New Zealand Dollars*	**Effect on the Present Value of Future Profit Margins Increase / (Decrease)**	**Effect on Insurance Contract Assets and Liabilities Increase / (Decrease) in Net Asset**
Assumption category:		
Model changes	200	-
Discount rates	13,600	14,709
Premium increases	27,800	-
Claims	(25,100)	-
Lapses	1,900	-
Maintenance expenses	(2,700)	-
Tax	7,800	-
Impact of changes in assumptions	**23,500**	**14,709**

Sensitivity analyses

The table below illustrates the sensitivity of reported profit and loss and equity to changes in assumptions emerging over the year following the valuation date.

		At 31 March 2015		**At 31 March 2014**	
In thousands of New Zealand Dollars	**Change**	**Profit / (Loss)**	**Equity**	**Profit / (Loss)**	**Equity**
Mortality and morbidity	+10%	(2,106)	(2,106)	(1,795)	(1,795)
	-10%	2,085	2,085	1,632	1,632
Lapses	+10%	(2,466)	(2,466)	(1,571)	(1,571)
	-10%	2,911	2,911	1,847	1,847
Maintenance expenses	+10%	(401)	(401)	(230)	(230)
	-10%	401	401	230	230

12. 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 insurance risks. Financial risks include credit risk and liquidity risk.

The Company's objectives and policies for managing insurance risks are set out in the reminder of this section.

Risk management objectives and policies for mitigating insurance risk

The Company's primary objective is to manage risks in compliance with the risk management requirements of the Insurance (Prudential Supervision) Act 2010 in order to minimise any potential impact on policyholders and shareholders from the various risks facing the Company.

A Risk Management Strategy has been put in place to identify, control and put in place processes and procedures to mitigate the risks faced by the Company.

The Company's appetite for and exposure to all financial and non-financial risks is regularly monitored by the Board of Directors. The Board of Directors also oversees the control framework the Company has put in place in order to manage these risks.

Insurance risks are controlled through the use of reinsurance arrangements and underwriting processes. Claims management processes and controls are designed to ensure all valid claims are paid in a timely and accurate manner.

Strategies for managing insurance risks

The Company's strategies for managing risks arising from its insurance business are:

- Reinsurance is used to reduce the Company’s exposure to claims. Reinsurance arrangements are regularly reviewed to ensure the retained portion of claims is in line with the Company's risk appetite and allows the Company to continuously meet solvency and capital requirements.
- Premium rates are set based on expected claims, expenses associated with acquiring and maintaining the Company's insurance business, including commissions, and a margin to ensure an appropriate return on capital and the continuous meeting of solvency and capital requirements.
- Internal controls are in place in respect of the underwriting of all new insurance business and are regularly monitored through both internal and external underwriting audits.
- Processes and procedures are in place to ensure the continuous monitoring and control of the Company's insurance risks.

Solvency margin requirements 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.

Methods to monitor and assess insurance risk exposure

The Company actively manages its exposure to risks so it can react in a timely manner to any changes in insurance cycles, financial markets and macro-economic conditions.

Risk exposures are managed by modelling the level of economic capital needed to continuously meet internal and external solvency requirements given adverse experience of factors that may impact the Company’s future performance, such as the incidence of claims.

Management regularly reports financial and operating results and exposure to insurance risks (both gross and net of reinsurance) to the Board of Directors.

12. Risk management policies and procedures for insurance (continued)

Methods to limit or transfer insurance risk exposures

Reinsurance:

The Company has entered into Reinsurance Treaties (collectively referred as “the treaty”) with SCOR Global Life SE (“SCOR”) in respect of all insurance benefits sold, with the exception of medical benefits and group business (the latter being reinsured with a separate counterparty as set out below).

The treaty meets the definition of an insurance contract under NZ IFRS 4 as there is a significant transfer of insurance risk from the Company to SCOR through the reinsurance of an agreed percentage of insurance risks on all reinsured benefits up to automatic acceptance levels.

Further, SCOR bears lapse risk through the treaty. The treaty is designed to limit the Company’s exposure to insurance risk to a level appropriate to its age and capital base.

Reinsurance premiums are paid to SCOR for benefits reinsured. A defined percentage of claims paid on reinsured benefits is recoverable from SCOR with a surplus layer to mitigate against single life risk. Profits arising on the business reinsured are shared with the Company post experience account balance amortisation.

SCOR pays the Company a commission on the issue of new business covered by the treaty which contributes towards the costs of acquiring new insurance business in order that the Company can continue to write new business and continuously meet solvency standards. The Company is dependent on the availability of reinsurance to write new business.

The treaty terms for new business are 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 new business treaty with SCOR for the 2015/16 financial year. SCOR has entered into retrocession treaties with Berkshire Hathaway Reinsurance Ireland Limited and Partner Reinsurance Europe Se, Zurich Branch, covering the same period.

Market conditions beyond the Company's control may 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 alternative arrangements.

Although reinsurance makes the reinsurer liable to the Company for the agreed portion of the risk under reinsured benefits, it does not relieve the Company of its primary liability to pay claims to its policyholders.

Accordingly, the Company bears credit risk with respect to the relevant reinsurer. The Company can offset the reinsured portion of claims receivable against any amounts that may be due to the reinsurer.

A reinsurer's insolvency, inability or refusal to make timely payments under the terms of its treaty with the Company could have a material adverse effect on the Company's financial results and liquidity.

The Company has entered into a separate Reinsurance Treaty with General Reinsurance Life Australia (“Gen Re”), in respect of group business written by the Company. There are no commissions payable or profit share arrangements under this Reinsurance Treaty, its purpose is to limit the claims risk in respect of group business written.

12. Risk management policies and procedures for insurance (continued)

Methods to limit or transfer insurance risk exposures (continued)

Underwriting processes:

All new individual business received is subject to underwriting prior to the risk being accepted.

Underwriting decisions are made in accordance with rules and procedures detailed in the Company's underwriting manual.

Such rules and 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.

Underwriting is monitored by the Chief Underwriter to ensure adequate controls are in place over the various processes and the effectiveness of those controls. The Company's reinsurers and Chief Underwriter carry out regular audits to ensure underwriting decisions made are in accordance with rules, limits and the Company’s underwriting philosophy.

Claims management:

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

The Company has established a Claims Review Committee comprising Senior Executives to which claims staff are able to refer claims above their individual limits and any disputed claims for review.

Claims received over specified limits are also referred to the reinsurers for assessment and sign-off.

Terms and conditions of insurance contracts

The terms of insurance contracts written are such that uncertain future events can be identified which have an adverse impact on policyholders and may give rise to a claim payment. The details below provide an overview of the key variables upon which the amount of any claim payable is dependent.

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 payable on the death, disability or occurrence of certain critical illnesses are fixed and guaranteed and not at the discretion of the Company.

Reimbursement for costs incurred related to major medical conditions that meet the policy terms where medical benefits are selected.

Premiums may be guaranteed for a specified term or variable at the Company's discretion.

12. Risk management policies and procedures for insurance (continued)

Terms and conditions of insurance contracts (continued)

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 are:

- Mortality and morbidity experience
- Rates of policy discontinuance
- Future premium rates
- Expenses associated with issuing and maintaining policies
- Market interest rates on underlying assets

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 six bands of life sums assured for each life plan.

	At 31 March 2015		**At 31 March 2014**	
Sum Assured	**Before Reinsurance**	**After Reinsurance**	**Before Reinsurance**	**After Reinsurance**
$0 - $250,000	5.4%	58.1%	5.5%	56.7%
$250,001 - $500,000	13.0%	41.9%	13.0%	32.3%
$500,001 - $1,000,000	34.9%	0.0%	35.1%	9.3%
$1,000,001 - $2,000,000	35.1%	0.0%	34.6%	1.6%
$2,000,001 - $5,000,000	11.0%	0.0%	11.0%	0.1%
Greater than $5,000,000	0.6%	0.0%	0.8%	0.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Surplus reinsurance has been provided by SCOR effective 1 November 2014, which limits the Company's insurance risk to a maximum of $500k per sum assured.

13. Financial risk management and objectives

Financial risks are generally controlled by selecting appropriate assets to back liabilities. These assets are regularly monitored to ensure liquidity and credit risk are minimised.

The Company's objectives and policies in respect of managing financial risks are set out in the remainder of this section:

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 mainly exposed to credit risk and liquidity risk.

Financial instruments of the Company comprise insurance contracts, cash and cash equivalents, New Zealand Government Stock, loans 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.

To do so the Company has formulated a Management Asset and Liability Committee (“ALCO”), which meets on a regular basis to oversee the Company’s investments, projected cash flows and capital requirements.

The ALCO monitors the Company’s investments to ensure credit risk, liquidity risk and interest rate risk are minimised and reviews cash flow projections to ensure internal and external capital and solvency requirements will be continuously met.

The ALCO reports to the Board of Directors on a regular basis as deemed appropriate.

Credit risk

To the extent the Company has a receivable from another party, there is a credit risk in the event of default of that counterparty. Financial instruments which potentially subject the Company to credit risk are insurance contract assets, bank deposits, trade and other receivables, loans and Investments.

The Company minimises its exposure to credit risk by spreading on call and short term bank deposits across a number of high credit quality banks. Reinsurance credit risk is managed by considering current and potential reinsurer’s credit quality via their credit rating and balance sheet strength and reputation in the market for paying claims.

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.

Certain loans to advisers are secured against all assets of the borrower, refer Note 21. 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 on call and short term deposits with registered trading banks, significant losses from credit risk are not expected to occur.

Amounts due from advisers, within trade and other receivables, are shown net of a provision where collection of the amount due is considered doubtful.

13. Financial risk management and objectives (continued)

Credit risk (continued)

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

In thousands of New Zealand Dollars	**At 31 March 2015**	**At 31 March 2014**
On demand bank deposits	9,947	5,723
Short term bank deposits	31,064	17,000
New Zealand Government Stock	514	528
Loans	1,336	924
Trade and other receivables (excluding prepaid expenses and reinsurance premiums paid in advance)	13,097	6,982
Insurance contract assets	290,469	238,466
Credit Risk	**346,427**	**269,623**

Concentration of credit risk at balance date are shown in the table below:

In thousands of New Zealand Dollars	**Credit Risk**	**Standard & Poor's Credit Rating**
Institution:		
At 31 March 2015		
Westpac New Zealand Limited	8,011	AA-
Bank of New Zealand	12,000	AA-
ANZ Bank New Zealand Limited	13,000	AA-
ASB Bank Limited	8,000	AA-
SCOR Global Life SE	10,768	A+
New Zealand Government	514	AA+

In thousands of New Zealand Dollars	**Credit Risk**	**Standard & Poor's Credit Rating**
Institution:		
At 31 March 2014		
Westpac New Zealand Limited	7,723	AA-
Bank of New Zealand	5,000	AA-
ANZ National Bank	5,000	AA-
Rabobank New Zealand	5,000	AA-
SCOR Global Life SE	4,913	A+
New Zealand Government	528	AA

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

13. Financial risk management and objectives (continued)

Liquidity risk

The Company manages its exposure to liquidity risk by investing in predominantly short dated bank 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 to ensure the Company continuously meets solvency requirements.

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

In thousands of New Zealand Dollars	On demand	Less than 3 months	3 to 12 months	Greater than 1 year
At 31 March 2015				
Financial liabilities				
Expense creditors and accruals	-	3,370	-	-
Employee entitlements (excluding annual leave provision)	-	-	1,936	188
Amounts due to group companies	84	-	-	-
Claim accruals and provisions	-	11,825	2,109	1,416
Trade creditors	51	2,504	-	-
At 31 March 2014				
Financial liabilities				
Expense creditors and accruals	-	2,008	-	-
Employee entitlements (excluding annual leave provision)	-	-	1,620	-
Amounts due to group companies	134	-	-	-
Claim accruals and provisions	-	5,492	1,137	739
Trade creditors	110	4,536	-	-

Refer to note 18 for the estimated timing of net cash inflows from insurance contract assets and liabilities.

Capital management policies and objectives

The primary objective of the Company in the management of capital is to ensure it continuously meets the requirements of the Solvency Standard for Life Insurance Business ("the Solvency Standard") released by the Reserve Bank of New Zealand ("RBNZ") 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 Solvency 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 actual solvency capital of at least $5 million and maintain at least a positive solvency margin for each life fund under the Solvency 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.

13. Financial risk management and objectives (continued)

Capital management policies and objectives (continued)

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.

During the years ended 31 March 2015 and 31 March 2014, the Company complied with all externally imposed capital requirements.

Legislative and Regulatory Risk

The Company is regulated by both the RBNZ, and the Financial Markets Authority ("FMA").

As regulator of the insurance industry the RBNZ is responsible for imposing new regulations and licensing requirements. The FMA regulates the provision of financial adviser and broking services to clients in New Zealand.

Changes in legislation, legislative interpretation, regulations and government policy are risks to the earnings and performance of the Company.

The Company's Board of Directors has established an Audit and Risk Committee ("ARC"), chaired by an independent, Non-Executive Director, which operates under its own charter.

The ARC is chartered to monitor and assess the Company's compliance with significant laws and regulations, the identification of key risks and initiation of actions to mitigate these risks in line with the Company's Risk Management Policy.

The ARC also monitors the on-going management of these key risks.

14. Statutory fund and solvency

As a means of protecting life insurance policyholders, the Insurance (Prudential Supervision) Act 2010 requires licensed insurers to establish and maintain a statutory fund. The statutory fund apportions the assets and liabilities, relating to the Company's life insurance business, separate from the shareholder fund. The Company's non-statutory fund is called the shareholder fund which includes medical insurance and shareholder funds.

The Solvency Standard sets out the amount of capital a life insurance company is required to hold to meet its long-term liabilities, such as insurance claims, under adverse conditions. To comply with the Solvency Standard, the Company's actual solvency capital must exceed the minimum solvency capital for each of the statutory and shareholder funds.

The Company's reinsurance treaties impose solvency capital requirements. The Company is compliant with the requirements throughout 2014 and 2015.

Statutory fund

During the twelve months ended 31 March 2015, additional capital of $18.4 million (twelve months ended 31 March 2014: $15.9 million) has been transferred into the statutory fund in order to maintain a minimum solvency margin within the statutory fund of $1m.

Pursuant to Regulation 25 of the Insurance (Prudential Supervision) Regulations 2010 Order in Council, passed on 13 December 2010, subsequent to the establishment of the statutory fund, the Company has allocated profits of $18.2 million to the statutory fund for the twelve months ended 31 March 2015 (12 months ended 31 March 2014: allocated losses of $2.1 million).

14. Statutory fund and solvency (continued)

Solvency positions of the Company, Statutory Fund and Shareholder Fund

The solvency positions of the Company, Statutory Fund and Shareholder Fund determined under the requirements of the Reserve Bank of New Zealand's Solvency Standard for Life Insurance Business (December 2014) are set out below:

At 31 March 2015

In thousands of New Zealand Dollars	**Company**	**Statutory Fund**	**Shareholder Fund**
Actual Solvency Capital	106,495	69,484	37,011
Minimum Solvency Capital	86,562	66,061	20,501
Solvency Margin	**19,933**	**3,423**	**16,510**
Solvency Ratio	**123%**	**105%**	**181%**

The solvency positions determined under the requirements of the Reserve Bank of New Zealand's Solvency Standard for Life Insurance Business (August 2011) are set out below:

At 31 March 2014

In thousands of New Zealand Dollars	**Company**	**Statutory Fund**	**Shareholder Fund**
Actual Solvency Capital	54,294	32,890	21,404
Minimum Solvency Capital	47,089	31,811	15,278
Solvency Margin	**7,205**	**1,079**	**6,126**
Solvency Ratio	**115%**	**103%**	**140%**

Treatment of Reinsurance Treaty for solvency purposes

The RBNZ has been consulting on the treatment of financial reinsurance for solvency purposes since December 2012. The amended Solvency Standard for Life Insurance 2014 ("Solvency Standard") was issued in December 2014.

Transitional period

The requirements of the standard apply to new business issued from 1 January 2016. For existing business issued prior to 31 December 2015 the Standard applies from 1 January 2019.

The Company's new business reinsurance treaty meets the requirements of the amended Solvency Standard without the reliance on the transition period. Partners Life is taking actions to ensure its existing business treaties will continue to meet the requirements following the expiry of the transition period (1 January 2019).

15. Net investment revenue

In thousands of New Zealand Dollars	For the year ended 31 March 2015	2014
Interest on cash and cash equivalents	1,440	676
Interest on New Zealand Government Stock	30	31
Interest on loans	113	48
Revaluation of New Zealand Government Stock	(14)	(22)
Net investment revenue	**1,569**	**733**

16. Commissions and operating expenses

In thousands of New Zealand Dollars	Note	For the year ended 31 March 2015	2014
Acquisition costs			
Commissions		64,303	52,628
Equity settled share based payments with advisers	29,30	1,571	1,756
Other acquisition expenses		24,755	22,336
Total acquisition costs		90,629	76,720
Maintenance costs			
Commissions		6,445	3,957
Equity settled share based payments with executive staff	29,30	507	430
Other maintenance expenses		11,015	7,872
Total maintenance costs		17,967	12,259
Total commissions and operating expenses		**108,596**	**88,979**

In thousands of New Zealand Dollars	Note	For the year ended 31 March 2015	2014
Commissions to advisers (including share based payments)		72,319	58,341
Amortisation of intangible assets	23	1,878	1,901
Staff expenses		18,503	15,994
Equipment and occupancy expenses		3,286	2,655
Sales and marketing		6,952	5,160
Professional fees		1,166	1,083
Underwriting medical expenses		2,042	1,692
Auditors remuneration:			
KPMG - Audit of financial statements		201	196
KPMG - Accounting advice		1	17
KPMG - Regulatory reporting		35	33
Other operating expenses		2,213	1,907
Total commissions and operating expenses		**108,596**	**88,979**

17. Taxation

In thousands of New Zealand Dollars	For the year ended 31 March 2015	2014
Reconciliation of prima facie income tax		
Profit / (loss) before income tax	18,453	(2,855)
Income tax expense / (benefit) at statutory income tax rate of 28%	5,167	(799)
Increase / (reduction) in income tax expense / (benefit) due to:		
(Non-assessable income) / Non-deductible expenses	(9,657)	(3,191)
Income tax effect of changes in temporary differences not recognised	782	1,061
Income tax effect of net reinsurance items taxed under the financial arrangements regime	(13,685)	(12,421)
Income tax effect of current period tax losses not recognised within income tax expense	17,393	15,350
Income tax expense reported in the Statement of Comprehensive Income	-	-

In the financial statements for the year ending 31 March 2014, the income tax calculation was prepared by applying the financial arrangement rules to reinsurance arrangements and broker commissions.

For the year ending 31 March 2015, the income tax calculations have been prepared by applying the financial arrangement rules to only the reinsurance arrangements. The Company has determined it will not elect to treat broker commissions as financial arrangements. Therefore broker commissions are treated as tax deductible up front. This is consistent with the basis on which the income tax returns for 2012 to 2014 were filed with Inland Revenue.

Comparative figures have been reclassified through retrospectively applying the basis of the tax filing and treating broker commissions as deductible upfront. The approach adopted does not however affect net profit or loss, or net assets of the comparative period. For the current year, this treatment decreases the amount of the Company’s present value of future tax payable in insurance contract assets and liabilities and increases the amount of tax losses.

The Company has income tax losses available to carry forward of $234 million (2014: $172 million). The significant increase in tax losses from those reported at 31 March 2014, is due to the upfront deduction of broker commissions.

The availability of income tax losses carried forward is subject to statutory requirements being met, including shareholder continuity rules.

The Company has unrecognised deductible temporary differences of $9.4 million (2014: $6.7 million), on the basis the Company will form a tax group with its parent company, Partners Group Holdings Limited.

At March 2014 the deferred tax liability was calculated as the tax effect of taxable temporary differences within insurance contract assets and liabilities.

At 31 March 2015 the net present value of future tax payable within insurance contract assets and liabilities has been disclosed. Comparative figures have been re-classified and presented on a consistent basis with that adopted at 31 March 2015 (refer note 8).

This is a re-classification of the components that make up net insurance contract assets and liabilities (refer note 8), which has no impact on net profit or loss or net assets.

17. Taxation (continued)

Further, in previous periods the movement in the deferred tax liability was shown as an income tax expense in the Statement of Comprehensive Income, with the movement in insurance contract assets and liabilities, after re-classifying the deferred tax liability, shown in the Statement of Comprehensive Income.

A presentational change has been made in the current period. Rather than showing an income tax expense, the net movement in the three components making up the net insurance contract assets and liabilities is shown in the Statement of Comprehensive Income. Again, this has no impact on net profit or loss or net assets (refer note 8).

The Company has imputation credits available of $92 thousand (2014: $90 thousand).

18. Insurance contract assets and liabilities

In thousands of New Zealand Dollars	**2015**	**2014**
Net insurance contract assets and liabilities contain the following components:		
Present value of future policy benefits	402,544	185,792
Present value of future expenses (including reinsurance)	270,100	141,845
Present value of future planned margins of revenues over expenses	196,241	107,462
Present value of future premiums	(946,947)	(476,560)
Business valued using an accumulation model	3,495	2,067
Net insurance contract assets and liabilities	**(74,567)**	**(39,394)**
Disclosed as:		
Insurance contract assets	(290,469)	(238,466)
Insurance contract liabilities - reinsurance	148,435	142,353
Present value of future tax payable within net insurance contract assets and liabilities	67,467	56,719
Net insurance contract assets and liabilities	**(74,567)**	**(39,394)**
Estimated discounted net cash inflows from insurance contract assets and liabilities		
Less than one year	12,016	4,693
One year to five years	44,230	22,637
Later than five years	(130,813)	(66,724)
Net insurance contract assets and liabilities future net cash inflows	**(74,567)**	**(39,394)**

The table above shows the discounted cash flows that comprise the insurance contract assets and liabilities, net of reinsurance and including profit margins.

18. Insurance assets and liabilities (continued)

Reconciliation of movements in insurance contract assets and liabilities

	For the year ended 31 March	
In thousands of New Zealand Dollars	**2015**	**2014**
Insurance contract assets - gross of reinsurance		
Opening insurance contract assets	(238,466)	(172,773)
Movement recognised in the Statement of Comprehensive Income	(52,003)	(65,693)
Closing insurance contract assets	**(290,469)**	**(238,466)**
Current	(23,945)	(24,163)
Non-current	(266,524)	(214,303)
Insurance contract assets	**(290,469)**	**(238,466)**
Insurance contract liabilities - reinsurance		
Opening insurance contract liabilities - reinsurance	142,353	91,687
Movement recognised in the Statement of Comprehensive Income	6,082	50,666
Closing insurance contract liabilities - reinsurance	**148,435**	**142,353**
Current	35,961	28,856
Non-current	112,474	113,497
Insurance contract liabilities - reinsurance	**148,435**	**142,353**
Present value of future tax payable within net insurance contract assets and liabilities		
Opening present value of future tax payable	56,719	53,655
Movement recognised in the Statement of Comprehensive Income	10,748	3,064
Closing present value of future tax payable within net insurance contract assets and liabilities	**67,467**	**56,719**
Current	-	-
Non-current	67,467	56,719
Present value of future tax payable within net insurance contract assets and liabilities	**67,467**	**56,719**

19. Trade and other receivables

In thousands of New Zealand Dollars	Note	2015	2014
Sundry debtors and prepayments		353	322
Accrued investment income		74	71
Current tax		92	90
Amounts due from related parties	27	62	47
Reinsurance premiums paid in advance		661	442
Reinsurance recoverable on accrued claims		8,774	4,913
Trade receivables:			
Due from reinsurer		1,994	-
Due from advisers		943	1,209
Due from policy holders		1,158	652
Trade and other receivables		**14,111**	**7,746**
Expected maturity within 12 months		12,972	7,186
Expected maturity greater than 12 months		1,139	560
Trade and other receivables		**14,111**	**7,746**

Amounts due from advisers are shown net of a $1.04 million (2014: $0.64 million) provision for doubtful debts being management's assessment of amounts due where collection is doubtful. The gross amount of the impaired receivables is $1.04 million (2014: $0.67 million).

20. Investments

In thousands of New Zealand Dollars	2015	2014
New Zealand Government Stock	**514**	**528**

Investments have an expected realisation of less than 12 months and are therefore all current. The government stock matured on 15 April 2015. The government stock had a coupon rate of 6% (2014: 6%).

21. Loans

In thousands of New Zealand Dollars	2015	2014
Secured loans to advisers	1,277	884
Unsecured loans to advisers	59	40
Loans	**1,336**	**924**
Expected maturity within 12 months	825	510
Expected maturity greater than 12 months	511	414
Loans	**1,336**	**924**

21. Loans (continued)

Loans to advisers

From time to time the Company will enter into loan agreements with certain advisers. The majority of loans are for a maximum term of three years, with interest charged at market rates. 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 are shown net of impairment losses of nil (2014: nil).

22. Property, Plant and Equipment

In thousands of New Zealand Dollars	**Leasehold Improvements 2015**	**Office furniture & equipment 2015**	**Computer equipment 2015**	**Total 2015**
Gross carrying value				
Balance at 1 April 2014	-	227	454	681
Additions	159	60	90	309
Balance at 31 March 2015	**159**	**287**	**544**	**990**
Accumulated depreciation				
Balance at 1 April 2014	-	106	303	409
Depreciation expense	9	49	123	181
Balance at 31 March 2015	**9**	**155**	**426**	**590**
Net carrying value at 31 March 2015	**150**	**132**	**118**	**400**

In thousands of New Zealand Dollars	**Office furniture & equipment 2014**	**Computer equipment 2014**	**Total 2014**
Gross carrying value			
Balance at 1 April 2013	210	404	614
Additions	17	50	67
Balance at 31 March 2014	**227**	**454**	**681**
Accumulated depreciation			
Balance at 1 April 2013	62	164	226
Depreciation expense	44	139	183
Balance at 31 March 2014	**106**	**303**	**409**
Net carrying value at 31 March 2014	**121**	**151**	**272**

23. Intangible assets

In thousands of New Zealand Dollars	**Computer Software 2015**
Gross carrying value	
Balance at 1 April 2014	6,875
Purchases	1,537
Balance at 31 March 2015	**8,412**
Accumulated amortisation	
Balance at 1 April 2014	3,897
Amortisation expense	1,878
Balance at 31 March 2015	**5,775**
Net carrying value at 31 March 2015	**2,637**

In thousands of New Zealand Dollars	**Computer Software 2014**
Gross carrying value	
Balance at 1 April 2013	4,907
Purchases	1,968
Balance at 31 March 2014	**6,875**
Accumulated amortisation	
Balance at 1 April 2013	1,996
Amortisation expense	1,901
Balance at 31 March 2014	**3,897**
Net carrying value at 31 March 2014	**2,978**

24. Trade and other payables

In thousands of New Zealand Dollars	Note	2015	2014
Expense creditors and accruals		3,370	2,008
Employee entitlements		2,887	2,321
Amounts due to related parties	27	84	134
Claim accruals and provisions		15,350	7,368
Unearned premiums		1,198	817
Trade creditors:			
Amounts due to advisers		2,555	2,417
Amount due to reinsurers		-	2,229
Trade and other payables		**25,444**	**17,294**
Expected maturity within 12 months		23,840	16,555
Expected maturity greater than 12 months		1,604	739
Trade and other payables		**25,444**	**17,294**

25. Commitments

Capital commitments

The Company has commitments for the purchase of intangible assets and property, plant and equipment at 31 March 2015 of $57 thousand (2014: $94 thousand).

Lease commitments

Operating leases relate to office facilities with lease terms of between 1 to 5 years, with an option to extend for a further 4 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:

In thousands of New Zealand Dollars	2015	2014
Less than one year	705	542
Between one and five years	2,116	39
Commitments	**2,821**	**581**

26. Contingencies

The Company had no contingent liabilities or assets at 31 March 2015 (2014: $nil).

27. Related party transactions

Parent entity

The parent entity of the Company is Partners Group Holdings Limited.

Transactions

Details of transactions between the Company and other related parties are disclosed below.

	For the year ended 31 March	
	2015	**2014**
In thousands of New Zealand Dollars	**Received / (Paid)**	**Received / (Paid)**
Counterparty (relationship)		
Partners Group Holdings Limited (parent company)		
Equity contribution from parent company	33,408	20,086
Reimbursement of parent company expenses settled by Partners Life Limited	252	279
Unique Solutions and Advice Limited (associate company)		
Settlement of liabilities	(50)	(60)

		2015	**2014**
In thousands of New Zealand Dollars	**Note**	**Receivable / (Payable)**	**Receivable / (Payable)**
Balances with Related Parties			
Partners Group Holdings Limited	19	62	47
Unique Solutions and Advice Limited	24	(84)	(134)

The remuneration of directors and key management personnel (being those persons having authority and responsibility for planning, directing and controlling the activities of the Company) during the year was as follows:

		For the year ended 31 March	
In thousands of New Zealand Dollars	**Notes**	**2015**	**2014**
Short-term employee benefits		6,080	5,710
Post-employment benefits		164	143
Share based payment	16,30	507	430
Fees paid to non-executive directors		218	175
Total compensation		**6,969**	**6,458**

28. Reconciliation of net profit / (loss) after taxation to cash flows from operating activities

	For the year ended 31 March	
In thousands of New Zealand Dollars	**2015**	**2014**
Profit / (loss) after income tax	18,453	(2,855)
Non-cash items and non-operating items:		
Depreciation	181	183
Amortisation of intangible assets	1,878	1,901
Share based payments	2,078	2,186
Unrealised gain on New Zealand Government Stock	14	22
Movement in insurance contract assets and liabilities:		
Movement in insurance contract assets	(52,003)	(65,693)
Movement in insurance contract liabilities - reinsurance	6,082	50,666
Movement in present value of future tax payable within net insurance contract assets and liabilities	10,748	3,064
Movements in working capital:		
(Increase) / decrease in sundry debtors and prepayments	(29)	(75)
(Increase) / decrease in reinsurance premiums paid in advance	(219)	(167)
(Increase) / decrease in due from/(to) reinsurer	(4,223)	1,189
(Increase) / decrease in trade receivables	(4,107)	(2,582)
(Increase) / decrease in Government Stock	-	(34)
Increase / (decrease) in provision for employee entitlements	566	1,440
Increase / (decrease) in expense creditors and accruals	1,362	(1,308)
Increase / (decrease) in trade and other payables	8,501	4,176
Net cash flows from operating activities	**(10,718)**	**(7,887)**

29. Issued capital

Issued and fully paid up ordinary shares	Notes	In thousands of shares	In thousands of New Zealand Dollars
Balance at 1 April 2013		36,000	38,429
Shares issued for cash during the period		17,900	17,900
Other contributed capital:			
Contribution from parent - equity settled share based payments with advisers	16,30	-	1,756
Contribution from parent - equity settled share based payments with executive staff	16,30	-	430
Balance at 31 March 2014		**53,900**	**58,515**
Balance at 1 April 2014		53,900	58,515
Shares issued for cash during the period		31,330	31,330
Other contributed capital:			
Contribution from parent - equity settled share based payments with advisers	16,30	-	1,571
Contribution from parent - equity settled share based payments with executive staff	16,30	-	507
Balance at 31 March 2015		**85,230**	**91,923**

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

30. Share-based payments

Shadow share scheme with advisers

The Company has a shadow share scheme for eligible independent financial advisers which is designed to incentivise advisers to write strong volumes of business while maintaining good persistency over a number of years. The entitlements carry no voting rights as they do not represent an ownership interest in the Company. Entitlements earned are equal to the notional gain in the value of shares in Partners Group Holdings Limited between the allocation date and the date when the entitlement is paid. The entitlements will be settled in cash.

The number of shadow shares granted is calculated in accordance with scheme rules and includes performance factors such as: production net of lapses, issued annual premium, and persistency levels.

Partners Group Holdings Limited, through a Deed of Agreement with the Company, has undertaken to bear the liability to advisers arising under the scheme. Partners Group Holdings Limited will utilise the proceeds of new shares issued, to discharge the liability. The Company has no obligation to reimburse or repay Partners Group Holdings Limited. The Company has recognised a commission expense with respect to the share based payment obligation of $1.6 million at 31 March 2015 (2014: $1.8 million), together with an equivalent contribution to equity from Partners Group Holdings Limited.

The following shadow share base payment arrangements were in existence during the current and prior years:

Shadow shares tranches	**Number in thousands of shares**	**Grant date**	**Exercise price**	**Option fair value at grant date**
(1) Granted 31 March 2012	952	31/03/2012	$2.25	$0.94
(2) Granted 31 March 2013	1,423	31/03/2013	$3.00	$0.97
(3) Granted 31 March 2014	1,349	31/03/2014	$3.75	$1.30
(4) Granted 31 March 2015 *	885	31/03/2015	$5.36 *	$1.77 *
Shadow shares granted	4,609			

* The option fair value of shadow shares granted in the current financial year was calculated based on a Partners Group Holdings Limited ("PGHL") share price of $5.36, which was the Directors' best estimate at balance date. At the time of completing the annual accounts, and with the benefit of investment market feedback, the Directors have updated their best estimate of the price at 31 March 2015 to $4.00 per share, which will be the exercise price of tranche 4. The difference between the option value calculated using a PGHL share price of $5.36, and that at $4.00, is not material to the total comprehensive income for the year due to the deferral of the resultant commission expense under the MoS methodology. Tranche 1 will be settled at the price at which capital is obtained to fund the scheme liability.

30. Share-based payments (continued)

Shadow share scheme with advisers (continued)

Movements in shadow shares during the year

The following reconciles the shadow shares outstanding at the beginning and end of the year:

	2015		2014	
Movements in shadow shares during the year	**Number in thousands of shares**	**Weighted average exercise price**	**Number in thousands of shares**	**Weighted average exercise price**
Balance at beginning of year	3,724	$3.08	2,375	$2.70
Granted during the year	885	$5.36	1,349	$3.75
Exercised during the year	-	-	-	-
Balance at end of year	4,609	$3.52	3,724	$3.08
Weighted average remaining term	18 months		25 months	

Value of shadow shares granted

The option fair value of shadow shares granted, were 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 option fair value at grant date were as follows:

Inputs into the model at grant date	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**
Grant date share price of Partners Group Holdings Limited	$2.25	$3.00	$3.75	$5.36
Exercise price	$2.25	$3.00	$3.75	$5.36
Expected volatility	50%	50%	50%	45%
Time to maturity	3 years	3 years	3 years	3 years
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	3.00%	2.57%	4.08%	3.16%

30. Share-based payments (continued)

Shadow share scheme with advisers (continued)

The exercise price is based on the value of the shares of Partners Group Holdings Limited, as determined by the Directors', at grant date.

The expected volatility is the expected volatility of the Partners Group Holdings Limited share price. The volatility assumption has been determined by considering comparable share price volatilities of Australasian and international insurance companies. The Company's maturity and regulatory environment has also been considered.

The intrinsic value at balance date of the liability for vested shadow shares is $3.4 million (2014: $2.5 million).

Executive long term incentive plan

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

Shares in Partners Group Holdings Limited were issued to key executives in July 2012, 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 share price of Partners Group Holdings Limited to a defined level and an equity raising hurdle.

Movements in executive long term entitlements during the year

There were no executive long term entitlements granted or exercised during the year, or comparative period. The 1.025 million share entitlements outstanding at 31 March 2015 had an exercise price of $2.25 and remaining maturity term of 4 months (2014: 16 months).

Value of executive long term entitlements granted

The option fair value of entitlements granted, were 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 value of each entitlement at grant date was $0.60. As a result of modified performance terms in the comparative period the value of each entitlement at modification date was $0.64.

The inputs used in the measurement of the option value of executive long term entitlements granted were as follows:

Inputs into the model at grant date - July 2012	
Grant date share price of Partners Group Holdings Ltd	$2.25
Exercise price	$2.25
Expected volatility	50%
Time to maturity	3 years
Dividend yield	0%
Risk-free interest rate	2.63%

30. Share-based payments (continued)

Executive long term incentive plan (continued)

The exercise price is based on the value of the shares of Partners Group Holdings Limited, as determined by the Directors', at grant date.

The expected volatility is the expected volatility of the Partners Group Holdings Limited share price. The volatility assumption has been determined by considering comparable share price volatilities of Australasian and international insurance companies. The Company's maturity and regulatory environment has also been considered.

Executive share option plan

The Executive share option plan is designed to retain targeted senior executives and align the incentives of the participants with the interests of the Partners Group Holdings Limited shareholders. Invited participants will be issued with options to subscribe for ordinary shares in Partners Group Holdings Limited under the rules of the plan.

The plan rules contain a performance hurdle in respect of Partners Group Holdings Limited future share price on a defined date. If the performance hurdle is met, the participants have the right to exercise their options to purchase ordinary shares in Partners Group Holdings Limited at a defined exercise price. Participants also have the option to select a net settlement alternative whereby they will be issued a number of shares which reflects the difference between the exercise price and the value of Partners Group Holdings Limited shares at the time the options are exercisable, for nil consideration.

The vesting conditions comprise the achievement of performance hurdles set by the Board, and the participant remaining employed by the Company at the exercise date.

The following executive share option arrangements were in existence during the current and prior years:

Executive share option tranches	Number in thousands of options	Grant date	Exercise price	Option fair value at grant date
(1) Granted 18 October 2013	1,190	18/10/2013	$3.00	$0.79
(2) Granted 31 July 2014	45	31/07/2014	$3.00	$1.27

30. Share-based payments (continued)

Executive share option plan (continued)

Movements in executive share options during the year

The following reconciles the executive share options outstanding at the beginning and end of the year:

	2015		2014	
Movements in executive share options during the year	**Number in thousands of options**	**Weighted average exercise price**	**Number in thousands of options**	**Weighted average exercise price**
Balance at beginning of year	1,190	$3.00	-	-
Granted during the year	45	$3.00	1,190	$3.00
Forfeited during the year	-45	$3.00	-	-
Exercised during the year	-	-	-	-
Balance at end of year	1,190	$3.00	1,190	$3.00
Weighted average remaining term	16 months		28 months	

Value of executive share options granted

The options granted were 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.

30. Share-based payments (continued)

Executive share option plan (continued)

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

Inputs into the model at grant date	Tranche 1	Tranche 2
Grant date share price of Partners Group Holdings Ltd	$3.00	$3.75
Exercise price	$3.00	$3.00
Expected volatility	50%	50%
Time to maturity	2.75 years	2 years
Dividend yield	0%	0%
Risk-free interest rate	3.33%	3.89%

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

The expected volatility is the expected volatility of the Partners Group Holdings Limited share price. The volatility assumption has been determined by considering comparable share price volatilities of Australasian and international insurance companies. The Company's maturity and regulatory environment has also been considered.

31. Events after reporting date

Share based payments

On 29 May 2015 the Board of Directors of Partners Group Holdings Limited ratified two share based payment schemes as recommended by the Remuneration Committee. The schemes, one with service conditions, the other with a combination of service and market conditions, are designed to incentivise and retain key executives. Both schemes have a vesting period from 2014-2018 and have an estimated grant value of $781k at balance date. The number of shares and share options in Partners Group Holdings Ltd to be granted will be determined from the future capital raise of Partners Group Holdings Ltd. The transaction meets the requirements to be accounted for as an equity settled share based payment arrangement under NZ IFRS 2.

Capital raising

The Company's parent entity, Partners Group Holdings Limited, has initiated the annual capital raising process which is ongoing at the date on which the financial statements were authorised.

Independent auditor's report

To the shareholder of Partners Life Limited

We have audited the accompanying financial statements of Partners Life Limited ("the company") on pages 4 to 43. The financial statements comprise the statement of financial position as at 31 March 2015, 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 and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, 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 and fair presentation of the financial statements 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 accounting advice and regulatory reporting. Subject to certain restrictions, 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. 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 43 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Partners Life Limited as at 31 March 2015 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

30 July 2015
Auckland

PARTNERS LIFE LIMITED ("the Company")

CORPORATE GOVERNANCE STATEMENT

The Company's Board of Directors (the Board) recognises the importance of good corporate governance, particularly its role in protecting the interests of all stakeholders and delivering improved performance.

Directors are appointed by the parent Company, Partners Group Holdings Limited ("PGHL"). In turn, directors of PGHL are elected by the shareholders of PGHL.

The Directors are accountable for the performance of the group and compliance with all applicable laws and standards.

Responsibilities of the Board

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.

The Board Charter sets out the Board's role and responsibilities and regulates Board procedures.

Specific responsibilities of the Board include:

- Ensuring the Company continuously meets the requirements for licensed insurers set by the Reserve Bank of New Zealand.
- Setting strategic goals and establishing business plans, as well as monitoring performance against those goals and plans.
- Monitoring the performance of the Managing Director and the senior management team.
- Setting delegated levels of authority for the Managing Director and senior management team.
- Overseeing the financial position of the Company, including capital management and approving and monitoring capital expenditure.
- Ensuring all appropriate policies, controls, systems and procedures are in place to manage business risks and to ensure compliance with all regulatory, prudential and ethical standards.
- Approving annual and half yearly accounts and other regulatory reporting (such as solvency returns).
- Identifying risks and initiating action to mitigate and manage risks in line with the Company's Risk Management Policy and reporting any material changes in that policy to the Reserve Bank of New Zealand as required.
- Maintaining the highest business standards and ethical behaviour; and
- Reviewing and approving remuneration policy and incentive programmes for employees.

Structure of the Board

The Board comprises 1 Executive Director and 4 Non-Executive Directors.

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

All Directors are certified under the Reserve Bank of New Zealand's ("RBNZ") Fit and Proper requirements, in line with the Company's Fit and Proper Person Policy.

Over half of the Directors are independent (as defined in the RBNZ Governance Guidelines for Licensed Insurers), 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 helped lead its 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.
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 OnBrand Limited and Umajin Limited and is also a director of Trustpower Limited, SLI Systems Limited, Synlait Limited and Rangatira Limited. Sam holds a Bachelor of Science from Waikato University and a Master of Science from the University of Canterbury.

DIRECTOR	ROLE	BIOGRAPHY
Joanna Perry	Audit & Risk Committee Chairman and Non-Executive Director (Independent)	Joanna is an experienced non-executive director currently holding governance positions with Genesis Energy (Deputy Chairman), Trade Me Group, Kiwi Property Group Limited, Tainui Group Holdings Limited, Sport and Recreation New Zealand, Rowing New Zealand, the Investment Advisory Panel of the Primary Growth Partnership (Chairman) and the National Health Committee. She is also Chairman of the IFRS Advisory Council. 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 member of the New Zealand Institute of Chartered Accountants.
Paul Chrystall	Non-Executive Director	Paul is the Managing Director of the private equity firm Maui Capital Limited. As part of this role he sits on the boards of various Maui Capital investments. Before co-founding Maui Capital in 2008, Paul was Head of Private Equity at Goldman Sachs JB Were (New Zealand) where he founded and managed the Hauraki Private Equity Funds. Prior to his career in private equity, Paul held a number of senior positions across diversified industries in New Zealand and the United Kingdom. In these positions he focused on finance management, restructure and turn around, mergers & acquisitions, valuation and investment, performance management and investment strategy. Paul holds a Bachelor of Commerce from the University of Auckland.

DIRECTOR	ROLE	BIOGRAPHY
Lance Jenkins	Non-Executive Director (Independent)	Lance has over 20 years of financial markets experience having worked in New York, Sydney and Auckland. During that time he held senior roles with Goldman Sachs JB Were in New York and more latterly as CEO and Managing Director of Goldman Sachs JB Were New Zealand. Prior to joining Waterman Capital, Lance was Head of Cash Equities for the Commonwealth Bank of Australia, based in Sydney. He is currently an Executive Director of Waterman Capital Management Limited. Lance holds an MBA from New York University (Stern) and an LLB and BCA from Victoria University, Wellington.

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, Remuneration, and Nominations.

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

The Board has approved the delegation of certain responsibilities to the Managing Director and the senior management team via a formal Delegation of Authority policy.

The senior management team are responsible for the implementation of strategies approved by the Board, providing recommendations to the Board on business strategies, the management of business risk and the overall day-to-day management of the Company.

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.

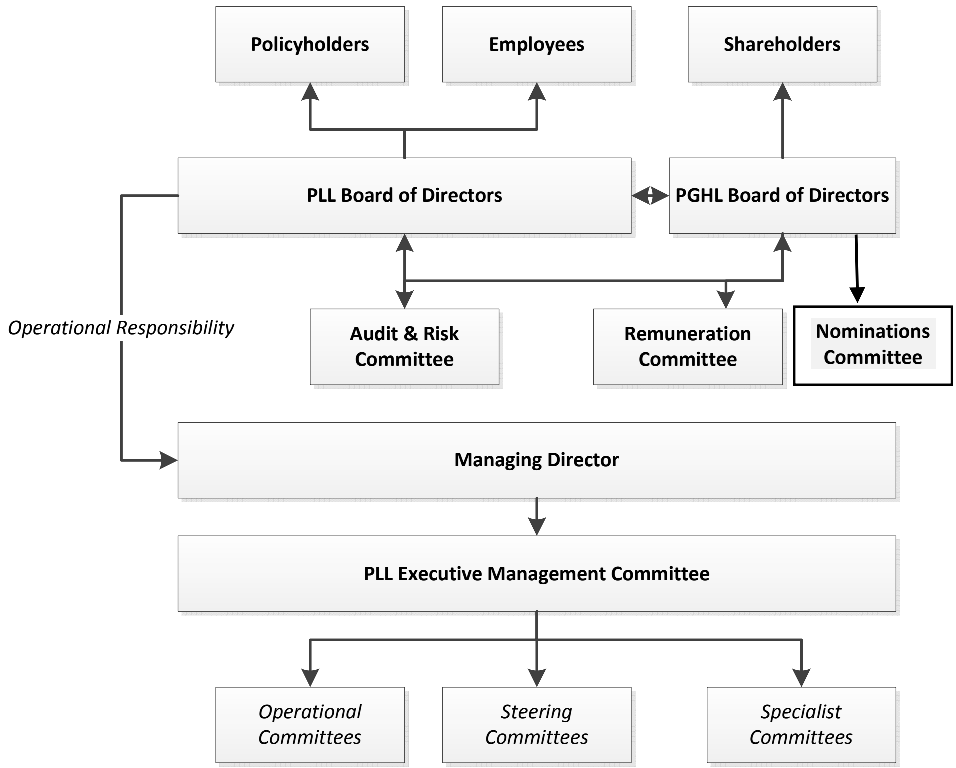
The Board monitors the actual performance of the company against budget on a regular basis.

Evaluations of the Managing Director and the senior management team are based on set criteria, including the overall performance of the business, the achievement of key performance measurements, the accomplishment of strategic goals and other non-quantitative objectives agreed at the beginning of each financial year, such as the delivery of specific projects.

The Board has a formal review of its performance on an annual basis.

Governance Structure (continued)

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



Ethical Conduct

The Board maintains a high standard of ethical conduct and the Managing Director is charged with the responsibility of ensuring these high standards are maintained by all staff throughout the organisation.

Integrity of Financial Reporting

The Board is committed to a fully transparent system for the reporting and audit of the Company's financial performance.

The Board has established an Audit and Risk Committee, chaired by an independent, Non-Executive Director. The Audit and Risk Committee is central to the achievement of this goal.

The Audit and Risk Committee comprises Joanna Perry (Chair), Paul Chrystall, Lance Jenkins and Richard Coon, who is a director of the company's parent Partners Group Holdings Limited.

All Directors of the company receive the papers of, and are welcome to attend any meeting of, the Audit and Risk Committee.

Integrity of Financial Reporting (continued)

The Audit and Risk Committee operates under its own charter, its primary responsibilities being:

- Review and make recommendations to the Board on the accounting policies of the Company, the effect of any changes in accounting policies and related reporting issues;
- Independently review the external financial reporting and other regulatory reporting (such as solvency returns) that require Board approval and make recommendations to the Board relating to the approval of these documents and associated attestations;
- Review annually the performance and independence of the External Auditor and make recommendations, for the approval of shareholders, to the Board for the appointment of the External Auditor and the quantum of their fees;
- Review and agree the annual audit plan with the External Auditor;
- Discuss with the External Auditor any audit issues encountered in the course of their duties and ensure any significant findings and recommendations made by the External Auditor are acted on appropriately by management;
- Review annually the performance and independence of the Appointed Actuary and make recommendations to the Board for the appointment of the Appointed Actuary and the quantum of their fees;
- Discuss with the Appointed Actuary any issues encountered in the course of their duties and ensure any significant findings and recommendations made by the Appointed Actuary are acted on appropriately by management;
- Consider and review with management and the External Auditor the adequacy of the Company's internal controls and risk management programme; and
- Monitor and assess the Company's compliance with significant laws and regulations.

Nominations Committee

The Board has established a Nominations Committee which has the role in identifying suitable prospective Directors for shareholder selection and preparing those Directors for their role within the Company.

The Nominations Committee operates under its own charter, its primary responsibilities being:

- Provide assurance and make recommendations to the Board as to the Board's size, composition, diversity and desirable expertise appropriate for the discharge of its responsibilities and duties in accordance with the law and with the strategic direction of the Company.
- Review the criteria for the selection of Directors and recommend to the Board any necessary alterations to that criteria to ensure the Company has a formal and transparent process for the selection and appointment of new Directors.
- Develop and implement a plan for identifying and assessing Director competencies.
- Where there is a vacancy or pending vacancy, recommend appropriate candidates to the Board based on the approved criteria and process for consideration.
- Implement adequate succession plans for key roles such as Chairperson and the Chairs of the various Board committees, in order that the effective composition, size and expertise of the Board is maintained.

Nominations Committee (continued)

- Monitor and report to the Board on Director independence;
- Undertake a review of the Committee's effectiveness and report on the actions of that review to the Board.

Insurance and Indemnities

The company has Directors' and Officers' Liability insurance to cover risks arising out of acts or omissions of Directors and employees whilst acting in such a capacity. This cover does not extend to dishonest, fraudulent, malicious or wilful acts or omissions.

Deeds of Indemnity have been given to Directors and certain senior managers in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as Directors and senior managers.

Policies & Responsibilities

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

- Risk Management;
- Capital Management;
- Statement of Investment Policy and Objectives, and Treasury Policy;
- Fit & Proper Persons;
- Conflicts of Interest;
- Health and Safety;
- Privacy;
- Whistle Blower;
- Crisis Management; and
- Delegations of Authority.

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

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30th July 2015

The Directors
Partners Life Limited
AUCKLAND

Dear Directors,

Report under Section 78 of the Insurance (Prudential Supervision) Act 2010
Review of *actuarial information* for Partners Life Limited as at 31 March 2015

a) This report has been prepared by Adam Follington; FIAA, FNZSA, Appointed Actuary for the purpose of Section 78 of Insurance (Prudential Supervision) Act 2010 ("IPSA"). It has been included in the Partners Life Limited ("PLL") financial statements.

b) The report provides information to the Directors of PLL (and management) regarding a review of the actuarial information (Section 77 of IPSA) contained in the PLL financial statements as at 31 March 2015 and provides an opinion as to its appropriateness. This report has not been prepared with any other additional purposes in mind.

c) My review of the actuarial information included the following:

- Review of the "Report on Valuation of Policy Liabilities, 31 March 2015" prepared by the company Actuary, Anton Gardiner. This report included the following actuarial information:
  i. Insurance contract assets (policy liabilities before reinsurance);
  ii. Insurance contract liabilities – reinsurance (policy liabilities in respect of reinsurance);
  iii. Present value of future tax payable in insurance contract assets and liabilities.

- Review of the calculations determining the solvency position of the company, statutory fund and shareholder fund.

d) I am a Partner at Deloitte and act as Appointed Actuary for PLL under a contract for services. I hold no financial interests in PLL.

e) There were no restrictions or limitations placed on my work or on my report. I obtained all the information I required.

f) In my opinion and from an actuarial perspective:

- The actuarial information contained in the PLL financial statements as at 31 March 2015 has been appropriately included in those financial statements; and
- The actuarial information used in the preparation of the PLL financial statements as at 31 March 2015 has been appropriately used in those financial statements.

g) In my opinion and from an actuarial perspective PLL has maintained a solvency margin as at 31 March 2015 that complies with the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand. This has been maintained at both an overall company level and for the statutory fund.

Adam Follington

Adam Follington; FNZSA FIAA
Appointed Actuary
Partners Life Limited