BENEFICIAL
INSURANCE LTD

Beneficial Insurance Limited

Annual Financial Statements

For the year ended 31 March 2013

Contents

COMPANY DIRECTORY

Date of Incorporation	20 March 2002
Nature of Business	The Company is an insurance provider by way of Consumer Credit Indemnity, Guaranteed Finance Protection and Pet Insurance.
Registered Office	Level 3, 445 Karangahape Road Newton Auckland 1010
Company Number	Beneficial Insurance Limited - 1196170
Directors	Anthony S Radisich Timothy I M Storey (Resigned 25 February 2013) Stephen R Tietjens (Chairman, Appointed 19 February 2013)
Auditors	Grant Thornton New Zealand Audit Partnership PO Box 1961 Shortland Street Auckland 1140
Appointed Actuary	Davies Financial and Actuarial Limited PO Box 35-258 Browns Bay Auckland New Zealand (Appointed 16 February 2012)
Solicitors	Bell Gully PO Box 1291 Wellington 6140
Bankers	Westpac Bank Limited Otahuhu, Auckland
Shareholder	Broadlands Finance Limited
Place of Business	Level 3, 445 Karangahape Road Newton Auckland 1010
Tax Accountants	nsaTax Limited P O Box 3697 Auckland 1140
Consulting Business Advisors	Christmas Gouwland Basrur Consulting Limited Auckland PO Box 106 090 Auckland 1143

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditor, Grant Thornton, has audited the financial statements and their report is attached.

The Directors are also responsible for the systems of internal control and risk management. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial statements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year ended 31 March 2013.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the Statement of Comprehensive Income and Statement of Changes in Equity is drawn up so as to give a true and fair view of the results of operations of the Company for the year ended 31 March 2013;
- the Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2013; and
- There are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

Signed on behalf of the Board by:

Anthony S Radisich	S R Tietjens **Stephen R Tietjens**
Director	**Director**
31 May 2013	31 May 2013

Statement of Comprehensive Income for the Year Ended 31 March 2013	notes	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Insurance Income	5	2,934,934	2,315,467
Insurance Expense and Related Charges		(1,504,596)	(1,009,990)
Net Insurance Income		**1,430,338**	**1,305,477**
Other Income		175,188	31,046
Other Operating Income		**175,188**	**31,046**
Total Operating Income		**1,605,526**	**1,336,523**
Employee Benefits Expense		(601,367)	(568,669)
Operating Lease Expenses		(69,618)	(68,809)
Depreciation	13	(4,364)	(6,440)
Profit/(Loss) on Sale of Fixed Assets		7,726	-
Audit Fees		(66,504)	(59,200)
Other Operating Expenses		(697,602)	(579,275)
Total Expenses		**(1,431,729)**	**(1,282,393)**
Profit/(Loss) before Income Tax		**173,797**	**54,130**
Income Tax (expense)/credit	6	(49,432)	(13,309)
Total Comprehensive Income for the year attributable to Equity holders		**124,365**	**40,821**
Comprehensive Income			
Total Comprehensive Income/(loss) for the year attributable		**124,365**	**40,821**

The attached notes form part of and are to be read in conjunction with these financial statements.

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Statement of Financial Position as at 31 March 2013	notes	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Assets			
Cash and Cash Equivalents	9	65,381	155,791
Insurance Premiums Receivables		1,132,573	830,334
Finance Receivables	10	3,369,447	3,700,000
Other Assets		43,969	55,279
Government Stock - Bond		500,000	500,000
Current Tax Liabilities		45	22
Property and Equipment	13	16,561	17,419
Deferred Acquisition Costs	12	635,275	537,807
Total Assets		**5,763,251**	**5,796,652**
Liabilities			
Payables		202,027	262,502
Loans from Related Parties	11	-	500,000
Deferred Tax Liabilities	8	52,913	3,467
Provision for Insurance Claims	15	283,027	208,375
Insurance Premiums in Advance		1,753,885	1,475,274
Total Liabilities		**2,291,852**	**2,449,618**
Net Assets		3,471,399	3,347,034
Equity			
		-	-
Retained Earnings		3,471,399	3,347,034
Total Equity		3,471,399	3,347,034

The attached notes form part of and are to be read in conjunction with these financial statements.

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Statement of Changes in Equity for the year ended 31 March 2013	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Share Capital		
Balance as at 1 April 2011	-	-
Increase in Share Capital	-	-
	-	-
	-	-
Balance as at 31 March 2012	-	-
Balance as at 1 April 2012	-	-
Balance as at 31 March 2013	-	-
Retained Earnings / (Accumulated Losses)		
Balance as at 1 April 2011	-	3,306,213
(Profit)/Loss for the Current Year	-	40,821
Balance as at 31 March 2012	-	3,347,034
Balance as at 1 April 2012	3,347,034	-
(Profit)/Loss for the Current Year	124,365	-
Balance as at 31 March 2013	3,471,399	-
Equity		
Balance as at 1 April 2011	-	3,306,213
(Profit)/Loss for the Current Year	-	40,821
Balance as at 31 March 2012	-	3,347,034
Balance as at 1 April 2012	3,347,034	-
(Profit)/Loss for the Current Year	124,365	-
Balance as at 31 March 2012	3,471,399	-
Total Equity at the end of the period	3,471,399	3,347,034

The attached notes form part of and are to be read in conjunction with these financial statements.

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Cash Flow Statement for the Year Ended 31 March 2013	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Cash Flow from Operating Activities		
Receipts from Customers (Fee and Insurance Income)	2,963,620	2,471,524
Interest Received	140,866	31,046
Payments to Suppliers and Employees	(3,022,978)	(2,418,789)
Interest Paid	-	-
Tax Paid	(9)	184,108
Net movement in Financial Receivables	323,871	-
Net Cash Inflow(outflow) from Operating Activities	**405,370**	**267,889**
Cash Flows from Investing Activities		
Sale of Property Plant and Equipment	-	-
Purchase of Property, Plant and Equipment	4,220	-
Net Cash(used in)/ generated by Investing Activities	**4,220**	**-**
Cash Flows from Financing Activities		
Loan repayments to Related Parties	(500,000)	
Loans to Related Parties		(138,780)
Net Cash inflow/(outflow) from Financing Activities	**(500,000)**	**(138.780)**
Net increase/(decrease) in Cash and Cash Equivalents	**(90,410)**	**129,109**
Cash and Cash Equivalents at beginning of period	155,791	26,682
Cash and Cash Equivalents at end of period	65,381	155,791

The attached notes form part of and are to be read in conjunction with these financial statements.

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note 1 General Information

The reporting entity is Beneficial Insurance Limited (the "Company"). It is profit orientated and incorporated and domiciled in New Zealand.

The Company's primary activity is providing insurance by way of Consumer Credit Indemnity, Guaranteed Finance Protection and Pet Insurance.

These financial statements on pages 5 to 25 have been approved for issue by the Board of Directors on 31 May 2013.

note 2 Statement of Compliance and Basis of Preparation

The financial statements for the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and The Financial Reporting Act 1993. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting concessions.

The Company qualifies for differential reporting concessions as it has no public accountability and there is no separation between the owners and governing body of Beneficial Insurance Limited. The Company has taken advantage of all differential reporting concessions available to them.

BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost. Reliance is placed on the Company continuing as a going concern.

PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are presented in accordance with NZ IAS 1 *Presentation of Financial Statements*. The Company has elected to present the Statement of Comprehensive Income in one statement. The Statement of Comprehensive Income discloses the analysis of expenses under the function of expense method. This clarifies expenses according to their function as part of cost of insurance sales, operating or as administration activities.

The Statement of Financial Position presentation discloses assets and liabilities in order of liquidity in line with the Statement of Financial Position presentation used by other entities supplying goods or services.

FUNCTIONAL CURRENCY

The financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information is presented in New Zealand dollars and has been rounded to the nearest dollar.

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note 3 Summary of Accounting Policies

OVERALL CONSIDERATION

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Services comprise supplying Consumer Credit Indemnity Insurance ("CCI") and Guaranteed Finance Protection Insurance ("GFP") and Pet Insurance protection.

Gross premiums

Gross premium is recognised from the attachment date for all indemnity insurance policies issued.

OTHER INCOME

Other income comprises of interest received from the Government bond, Bank and use of money interest. This is recognised as accrued.

OPERATING EXPENSES

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

CLAIMS EXPENSE

i. CCI, GFP and Pet insurance claims which arise during the reporting period and are settled during the same period are expensed in the Statement of Comprehensive Income.

ii. CCI, GFP and Pet insurance claims which arise during the reporting period but which are not settled at balance date are recognised based on the present value of expected future payments.

iii. CCI, GFP and Pet insurance claims incurred but not yet reported (IBNR) are recognised by way of an estimation based upon claims historical data.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

For financial instruments traded in active markets, the quoted market prices or dealer price quotations are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at balance date. Financial assets and financial liabilities are measured subsequently as described below.

FINANCIAL ASSETS

For the purpose of subsequent measurement, financial assets other than those designated as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or company of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less allowance for impairment. The Company's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Trade and other receivables are considered for impairment when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Company does not currently have any financial assets designated into this category.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to-maturity if the Company has the intention and ability to hold them until maturity. The Company has government bonds that will mature on 15 April 2015 paying a coupon rate of 6% that are held with the Public Trust office.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company does not currently have any financial assets designated into this category.

FINANCIAL LIABILITIES

The Company's financial liabilities include loans and borrowings and trade and other payables. All financial liabilities are measured subsequently at amortised cost using the effective interest method.

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Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs are expensed as incurred.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

INCOME TAX

Income tax is accounted for using the taxes payable method. The income tax expense recorded in the income statement for the period represents the income tax payable for the current period, adjusted for any differences between the estimated and actual income tax payable in prior periods. The current income tax asset or liability recognised in the Statement of Financial Position represents the current income tax balance due from or obligation to the Inland Revenue at reporting date.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is provided on leasehold improvements, computers and software, office furniture and equipment and motor vehicles. Depreciation is recognised in the Statement of Comprehensive Income to write off the cost of an item of property, plant and equipment, less any residual value, and is calculated using the diminishing value method to allocate the cost of assets over their expected useful life, at the following rates:

Asset	Depreciation Rate
Leasehold Improvements	12.0%
Furniture and Fittings	15.6%
Office Furniture and Equipment	36.6% - 80.4%
Motor Vehicles	36.0%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits, including holiday entitlement and sick leave, are current liabilities included in trade and other payables, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

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EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Retained earnings include all current and prior period retained profits and losses.

All transactions with owners of the parent are recorded separately within equity.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

Provision for Outstanding Claims

The Provision for Outstanding Claims includes a provision for known claims after year end.

The Company's process for establishing the outstanding claims provision involves consultation with the appointed actuary. This process includes a bi-annual and annual review and calculation of provision for claims by Peter Davies who is a fully accredited member of the New Zealand Society of Actuaries. The actuary based his provision on the following assumptions:

For the pet insurance business, the claim administration allowance is estimated to be 15% (2012: 15%) of outstanding claims. A loss ratio of 49% (2012: 49%) is used based on the pet insurance products available in New Zealand. A 7% (2012: 7%) risk margin is maintained so as to achieve a 75% likelihood of sufficiency.

For the CCI and GFP insurance business, the claim administration allowance is estimated to be 15% (2012: 15%) of outstanding claims. A loss ratio is estimated to be 2% (2012: 2%) based on historical financial performance of these products. A 50% (2012: 50%) risk margin is maintained so as to achieve a 75% likelihood of sufficiency.

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Financial assumptions used to determine the outstanding claims provision are as follows:

i. Discount Rate - The outstanding claims liability represents payments that will be made in the future, they are discounted to reflect the time value of money effectively recognising that the asset held to back insurance liabilities will earn a return during that period. Discount rates are based on gross yields to maturity of NZ Government bonds of appropriate terms as at 31 March 2013.

ii. Future settlement patterns and weighted average term to settlement - The weighted average term to settlement is an aggregate figure for all classes of business based on expected claims development patterns which are in turn derived from an analysis of historical claim patterns.

iii. Assumed loss ratios - Assumed loss ratios were determined from a consideration of observed loss ratios for historical loss quarters.

iv. Risk Margin - The overall risk margin is determined allowing for diversification between classes of business and the relative uncertainty of the outstanding claims estimates for each class. The assumptions regarding uncertainty for each class are applied to the net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency of 75 per cent.

v. Expense allowance - An estimate of outstanding claims liabilities will typically incorporate an allowance for the future cost of administering the claims.

At each reporting date, an assessment is made of whether the recognised insurance liabilities are adequate, net of Deferred Acquisition Costs, by using an existing liability adequacy test in accordance with NZ GAAP. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, are used. A number of valuation methods are applied, including discounted cash flows.

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Unearned Premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with NZ GAAP to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of Comprehensive Income by setting up a provision for premium deficiency.

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INSURANCE CONTRACTS – PRODUCT CLASSIFICATION
Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

DEFERRED ACQUISITION COSTS
Acquisition Costs are associated with Insurance and Indemnity Contracts. Brokerage and other acquisition costs associated with policies written on behalf of the Company are deferred and recognised over the life of the policy in accordance with the incidence of risk expected under the policy.

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, Deferred Acquisition Costs for Pet, CCI and GFP insurance are amortised over the expected life of the contracts as a constant percentage of expected premiums.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the Statement of Comprehensive Income. Deferred Acquisition Costs are derecognised when the related contracts are either settled or disposed of.

LIABILITY ADEQUACY TEST
Deferred Acquisition Costs are also considered in the liability adequacy test for each reporting date. The test is to ensure unearned premiums net of Deferred Acquisition Costs are sufficient to meet future claims. This test is prepared by the Company's appointed actuary.

INSURANCE RECEIVABLES
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

UNEARNED PREMIUMS
Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

CHANGE IN ACCOUNTING POLICIES
There have been no significant changes in accounting policies during the current period. Accounting policies have been applied on a basis consistent with prior periods.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE NOT YET EFFECTIVE
The Company has adopted the following new and amended NZ IFRS's since April 2012:

NZ IFRS 7 Financial Instruments: Disclosures (effective from 1 July 2012)
This standard incorporates many of the disclosure requirements previously in NZ IAS 32 Financial Instruments: Presentation. The standard applies to risks arising from all financial instruments. The standard requires disclosure of:

a) The significance of financial instruments for an entity's financial position and performance.

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b) Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.
Management is still assessing the impact of this standard on the Company.

NZ IFRS 9 Financial Instruments (effective from 1 January 2015)

The IASB aims to replace IAS39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2011, with replacement standard (NZ IFRS 9). To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and financial liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to NZ IFRS 9's financial asset classification model to address application issues.

Management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, management does not expect to implement NZ IFRS 9 until all chapters have been published and they can comprehensively assess the impact of all changes.

Recently issued standards (effective for years beginning from 1 January 2013)

In May 2010 the International Accounting Standards Board (IASB) issued the following accounting standards that will be incorporated into NZ IFRS:

NZ IFRS 13 Fair Value Measurement

NZ IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. NZ IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Management have reviewed its valuation methodologies for conformity with the new requirements and assessed their impact on the Group's consolidated financial statements. Accordingly in note 26 a fair value measurement calculation has been prepared in line with NZ IFRS13 for 31 March 2013.

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note 4 Insurance Contracts-Risk Management Policies and Procedures

Actuarial Assumptions and Methods

Methods
Significant estimates and judgements are made by Beneficial's approved actuary to arrive at certain key liability amounts disclosed in the financial statements. These estimates are determined by a qualified and experienced practitioner with reference to historical data and reasoned expectations of future events. These estimates are then critically reviewed by Directors. The key areas in which critical estimates and judgements are applied are described below.

Central Estimate of Outstanding Claims Liabilities
The estimation of outstanding liabilities is based largely on the assumption that past experience are an appropriate predictor of the future and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claim payments for claims incurred up to the reporting date. Each class of business is examined separately and some or all of the following will be considered for each class in projecting future claim payments:

(i) Historical trends in the incidence and development of the number of claims reported, claim payments and reported incurred costs.
(ii) Exposure details, including earned premiums and policy limits.
(iii) Claim frequencies and average claim sizes.
(iv) The legislative framework, legal and court environments and social and economic factors that may impact upon each class of business (Pet Insurance, Consumer Credit Indemnity, Guaranteed Asset Protection).

(v) Historical and likely future trends in standard inflationary pressures relating to commodity prices and wages.
(vi) Historical and likely future trends on inflationary pressures in addition to price or wage inflation, termed superimposed inflation.
(vii) Historical and likely future trends of expenses associated with managing claims to finalisation.
(viii) Historical and likely future trends of recoveries from sources such as subrogation and third party actions.
(ix) Insurer specific, relevant industry data and more general economic data utilised in the estimation process.

Projected future claim payments and associated claim handling costs are discounted to a present value as required using appropriate risk free discount rates. A projection of future claims payments, both gross and net of reinsurance and other recoveries is undertaken.

In selecting valuation methodologies, actuarial methods are applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method, or even a blend of methods, is selected taking into account the characteristics of the class of business and the extent of the development of each past incident period.

Risk Margins
As an estimate of future outcomes, the net central estimate of outstanding claims liability is subject to uncertainty. Uncertainty is examined for each class of business and expressed as the volatility of the net central estimate. The volatility for each class of business was derived after consideration of stochastic modelling and benchmarking to industry analysis.

Assumptions
The claims liabilities have been assessed by Peter Davies, an actuary who is a fully accredited member of the New Zealand Society of Actuaries. (Refer to note 3 in respect of the assumptions that were used in his assessment of the claims provisions and note 9 for details of claims paid during the period).
The valuations included in the reported results are calculated using assumptions including:

(i) Discount Rate - Because the outstanding claims liability represents payments that will be made in the future, they are discounted to reflect the time value of money effectively recognising that the assets held to back

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insurance liabilities will earn a return during that period. Discount rates are based on gross yields to maturity of NZ Government bonds of appropriate terms as at 31 March 2013.

(ii) Future settlement patterns and weighted average term to settlement. The weighted average term to settlement is an aggregate figure for all classes of business based on expected claims development patterns which are in turn derived from an analysis of historical claims patterns.

(iii) Assumed loss ratios. Assumed loss ratios were determined from a consideration of observed loss ratios for historical loss quarters.

(iv) Risk Margin. The overall risk margin is determined allowing for diversification between classes of business and the relative uncertainty of the outstanding claims estimates for each class. The assumptions regarding uncertainty for each class are applied to the net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency of 75 per cent.

(v) Expense allowance. An estimate of outstanding claims liabilities typically incorporates an allowance for the future cost of administering the claims.

Insurance contracts-risk management policies and procedures
The financial condition and operation of the Group are affected by a number of key risks. These methodologies are consistent for both reporting periods. Notes on the Group's policies and procedures in respect of managing these risks are set out in this note.

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks
The Group has an objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short term variability is, to some extent, a feature of insurance business.

Key aspects of the processes established to mitigate risks include:

(i) The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.

(ii) The use of actuarial models based on historical data to calculate premiums and monitor claim patterns.

(iii) The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claims payments with the maturity dates of assets.

Terms and conditions of insurance business
The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Group. The majority of direct insurance contracts written are entered into on a standard form. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

Concentration of insurance risk
The Group's exposure is diversified across classes of business with risk spread across New Zealand.

Financial Risk

(i) Interest rate risk. The Group is exposed to interest rate risk arising on interest bearing assets. The Group manages some of its exposure to this risk by holding the majority of such assets on short term maturities.

(ii) Credit risk. The credit risk on financial assets of the Group is generally the carrying amount, net of any provisions for doubtful debts. Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counter party. The Group does not expect any counter parties to fail to meet their obligation and therefore does not require collateral or other security to support credit risk exposures.

(iii) Market risk. The Group is exposed to market risk including fair value, interest risk and price risk. Market risks arise from open positions in interest rate products which are exposed to general and specific market movements. The market risks that the Group primarily faces are interest rate risk, due to the nature of its investments and liabilities.

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(iv) Liquidity risk. The Group is exposed to daily calls on its available cash resources from the policy claims. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Group manages this risk by considering potential daily calls in unison with its overall cash management position.

Unexpired risk liability
The Liability Adequacy Test ("LAT") has identified an unexpired risk liability in a portfolio of contracts with broadly similar risks that are managed together. The liability has resulted in the creation of an Unexpired Risk Premium of $50,592 (March 2012: $14,486).

The LAT has identified a surplus for other portfolios of contracts that are subject to broadly similar risks that are managed together as a single portfolio.

The process of determining the overall risk margin, including the way in which diversification of risk has been allowed for. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of adequacy.

Insurance Maturity Analysis

Insurance Maturity Analysis

31 March 2013	0 to 6 Months	7 to 12 Months	25 to 60 Months	13 to 24 Months	Over 60 Months	Total
Insurance Assets						
Deferred acquisition cost	147,209	454,078	11,958	22,030	-	635,275
Insurance Liabilities						
Provision for claims	232,435	-	-	-	-	232,435
Unexpired risk premium	50,592	-	-	-	-	50,592
Unearned premium liabilities	406,420	1,253,632	33,013	60,820	-	1,753,885
	689,447	**1,253,632**	**33,013**	**60,820**	**-**	**2,036,912**
31 March 2012	**0 to 6 Months**	**7 to 12 Months**	**25 to 60 Months**	**13 to 24 Months**	**Over 60 Months**	**Total**
Insurance Assets						
Deferred acquisition cost	109,632	389,313	4,998	33,864	-	**537,807**
Insurance Liabilities						
Provision for claims	193,889					**193,889**
Unexpired risk premium	14,486					**14,486**
Unearned premium liabilities	300,736	1,067,935	13,710	92,893	-	**1,475,274**
	509,111	**1,067,935**	**13,710**	**92,893**	**-**	**1,683,649**

The table below analyses the Company's insurance assets and insurance liabilities into relevant maturity groupings based on the expected maturity dates.

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note 5 Revenue

Revenue for the period ended	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Earned Premiums - CCI	61,116	83,871
Earned Premiums - Pet Insurance	2,861,723	2,213,959
Earned Premiums - GFP	12,095	17,637
Total Insurance Income	**2,934,934**	**2,315,467**

Revenue from operations may be analysed for the following reporting periods presented:

note 6 Income Tax

The relationship between the expected tax expense based on the domestic effective tax rate of Beneficial Insurance Limited at 28% (2012: 28%) and the reported tax expense in the Statement of Comprehensive Income can be reconciled as follow

Income Tax for the period ended	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Current Tax	27,366	(505)
Deferred Tax	22,054	3,467
Adjustment to prior years	12	10,347
Tax Expense	**49,432**	**13,309**
Profit before Tax	**173,797**	**54,130**
Taxation at Statutory tax rate 28% (2012: 28%)	48,663	15,156
Permanent Differences	757	1,091
Deferred Tax Asset not previously recognised		(12,780)
Adjustment to prior periods	(61)	10,347
Other	73	(505)
Income Tax rebate / (expense)	**49,432**	**13,309**

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note 7 Imputation Credit Account

Imputation Credit Account for the period ended	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Balance at beginning of year	579,333	799,905
Income Tax Paid during the year, net of refunds	(108)	(174,289)
Resident Withholding Tax	108	22
Other	23	(46,305)
	579,356	**579,333**

note 8 Deferred Tax Liability

The balance comprises temporary difference attributable to:

Deferred Tax Liability as at	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Employee Benefits	7,751	6,352
Deferred Acquisition Costs	(177,877)	(150,586)
Other Provisions	28,726	24,888
Tax Losses	88,487	115,879
	(52,913)	**(3,467)**
Movements:		
Opening Balance	(3,467)	-
Movement in Deferred Tax	**(49,446)**	**(3,467)**

note 9 Cash and Cash Equivalents

Cash and Cash Equivalents as at	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Cash at Bank and in hand	65,381	155,791
Cash at Bank and in hand	**65,381**	**155,791**

Cash and cash equivalents include the following components:

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note 10 Finance Receivables

Finance Receivable as at	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
MRL Loan Receivable	3,369,447	3,700,000
Total MRL Loan Receivables	**3,369,447**	**3,700,000**

note 11 Loans from / (to) Related Parties

Loans from/(to) Related Parties as at	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Loan from / (to) Broadlands Finance Limited	-	500,000
Total MRL Loan Receivables	**-**	**500,000**

The parent entity Broadlands Finance Limited swapped the unsubordinated loan of MRL to offset the current loan with Beneficial Insurance Limited. This has resulted in a loan payable to Broadlands Finance Limited

note 12 Deferred Acquisition Costs

Deferred Acquisition Costs for the period ended	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Deferred Acquisition Costs at the beginning of the year	537,807	368,967
Acquisition Costs Deferred	128,980	308,908
Amortisation charged to Income Statement	(31,512)	(140,068)
Deferred Acquisition Costs at end of the year	**635,275**	**537,807**

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note 13 Property and Equipment

Plant and Equipment

31 March 2013	Furniture & fittings	Leasehold improvements	Office & computer	Motor vehicles	Total
Group:					
Cost					
At Beginning of Year	3,000	8,663	25,517	19,311	56,491
Additions	-	-	6,505	-	6,505
Disposals	-	-	-	(12,195)	(12,195)
	3,000	**8,663**	**32,022**	**7,116**	**50,801**
Depreciation					
At Beginning of Year	864	2,238	23,345	12,625	39,072
Charge for the year	333	771	1,327	1,933	4,364
Eliminated on Disposals	-	-	-	(9,196)	(9,196)
At End of Year	**1,197**	**3,009**	**24,672**	**5,362**	**34,240**
Net Book Value					
At End of Year	1,803	5,654	7,350	1,754	16,561
At Beginning of Year	**2,136**	**6,425**	**2,172**	**6,686**	**17,419**

31 March 2012	Furniture & fittings	Leasehold improvements	Office & computer	Motor vehicles	Total
Cost					
At Beginning of Year	3,000	8,663	25,517	19,311	56,491
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
	3,000	**8,663**	**25,517**	**19,311**	**56,491**
Depreciation					
At Beginning of Year	468	1,362	21,937	8,865	32,632
Charge for the year	396	876	1,408	3,760	6,440
At End of Year	**864**	**2,238**	**23,345**	**12,625**	**39,072**
Net Book Value					
At End of Year	2,136	6,425	2,172	6,686	17,419
At Beginning of Year	2,532	7,301	3,580	10,446	23,859

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note 14 Categories of Financial Assets and Liabilities

Categories of Financial Assets and Liabilities for the period ended	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Financial assets		
Loans and receivables :		
Cash and Cash Equivalents	65,381	155,791
Insurance Premium receivables	1,132,573	830,334
Government Stock - Bond	500,000	500,000
Loan to Related Parties	-	-
Finance Receivables	3,369,447	3,700,000
	5,067,401	5,186,125
Financial Liabilities		
Other Amortised Cost		
Payables	202,027	262,502
Loans from Related Parties	-	500,000
Provision for Insurance Claims	283,027	208,375
Insurance Premiums in Advance	1,753,885	1,475,274
	2,238,939	2,446,150

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

note 15 Provision for Insurance

Provision for Insurance for the period ended	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Provision for Claims	232,435	193,889
Provision for Unexpired Risk Premium	50,592	14,486
Provision for Claims at end of the year	283,027	208,375

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note 16 Capital Commitments

There were no capital commitments at 31 March 2013 (March 2012: $Nil).

note 17 Contingencies

There are no contingent assets or liabilities at balance date (March 2012: $Nil).

note 18 Related Party Transactions

2013	Relationship	Type	Transaction	Receivable / (Payable)
Purchase of goods/services				
Broadlands Finance Limited	Parent Entity	Administration Fee MRL	132,638	(11,457)
Broadlands Finance Limited	Parent Entity	Office Expenses	40,807	(7,225)
Broadlands Finance Limited	Parent Entity	Rent	69,619	-
Broadlands Finance Limited	Parent Entity	Commission CCI/GFP	28,286	-
Funds collected by a related party and refunded				
Broadlands Finance Limited	Parent Entity	CCI/GFP Premiums	56,573	-
Broadlands Finance Limited	Parent Entity	MRL Collections	39,211	3,866
Repayment to Parent				
Broadlands Finance Limited	Parent Entity	Loan Repayment	500,000	-

2012	Relationship	Type	Transaction	Receivable / (Payable)
Executive Trustees Limited	Common Ownership	Rent	68,809	-
Natwest Finance Limited	Common Ownership	Vehicle Lease	2,592	-
Penrose Enterprises Limited	Common Ownership	Vehicle Finance	7,845	-
Broadlands Finance Limited	Parent Entity	Transfer of Loan	3,700,000	(500,000)

The amounts receivable / (payable) are unsecured and no guarantees are in place. No interest is charged on amounts owing between Company entities. No balances receivable are impaired as at 31 March 2013 (2012: $Nil).

On 30 March 2012 the Company entered into an administration agreement with its Parent Entity in respect of the work associated with the collection of the loan receivable.

note 19 Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities		
for the period ended	Beneficial Insurance Limited 31 March 2013	Beneficial Insurance Limited 31 March 2012
Net Profit (Loss) after tax	**124,365**	**40,821**
Add Non-Cash Items		
Depreciation	4,364	6,440
(Profit)/Loss on Sales of Asset	(7,726)	-
Add movements in other working capital items		
(increase)/decrease in finance receivables	323,871	-
(increase)/decrease in deferred tax asset	49,446	3,467
(increase)/decrease in other assets	(284,247)	(164,133)
(increase)/decrease in deferred acquisition costs	(97,468)	(168,840)
increase/(decrease) in Insurance premiums in advance	278,611	324,326
increase/(decrease) in current tax liabilities	(23)	184,108
increase/(decrease) in provisions	38,546	38,079
Decrease /(increase) in Accounts receivable	-	-
(Decrease) / increase in Accounts Payable and Accruals	(24,370)	3,621
Cash Inflow from operating activities	**405,370**	**267,889**

note 20 Beneficial Licensing under the Insurance Prudential Supervision Act 2010 (IPSA)

On 18 September 2012 credit rating agency, AM Best issued the company a B+ (Good), outlook Stable credit rating.

On 22 February 2013 Beneficial Insurance Limited, was granted a full insurance licence as required by the RBNZ under the Insurance Prudential Supervision Act 2010 ("IPSA").

Solvency Standard

Under Section 55 of the Insurance Prudential Supervision Act 2010, "IPSA", Beneficial is regulated by a Solvency Standard. Under this standard, Beneficial is required to maintain a Solvency Margin whereby the company's Actual Solvency Capital must be in excess of the minimum Solvency Capital as defined under the standard. Beneficial's independent Actuary performs this calculation based on the Financial Statements.

At 31 March 2013 Beneficial had Actual Solvency Capital of	$3,471,399
The minimum Solvency Capital as calculated under the Standard was	$1,784,725
but is subject a minimum Solvency Capital requirement of	$3,000,000
The Solvency Margin is	$ 471,399
The Solvency Ratio is	116%

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note 21 Subsequent Events

The Directors are not aware of any other matters or circumstances since the end of the reporting period, not, otherwise dealt with in the financial statements that have significantly or may significantly affect the operations of the Company (2012: Nil).

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Independent Auditor's Report

Audit

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To the Shareholder of Beneficial Insurance Limited

Report on the financial statements

We have audited the financial statements of Beneficial Insurance Limited on pages 5 to 27, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal 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 responsibilities

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 entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditors, we have no relationship with or interests in, Beneficial Insurance Limited.

Opinion

In our opinion, the financial statements on pages 5 to 27:

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

Report on other legal and regulatory matters

Per the Financial Reporting Act 1993:

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

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Auckland, New Zealand
31 May 2013