

17th September 2014

To: The Directors
Beneficial Insurance Limited

From: Peter Davies
Appointed Actuary

Re: Beneficial Insurance Limited (“BIL”): Report as at 31st March 2014 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

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

1. I have reviewed the actuarial information included in the audited accounts for BIL as at 31st March 2014. “Actuarial information” includes the following:
 - claim provisions and unexpired risk / unearned premium provisions;
 - solvency calculations in terms of the RBNZ Solvency Standard;
 - balance sheet and other information allowed for in the calculation of the company’s solvency position; and
 - disclosures regarding the methodology and assumptions used for calculating claim provisions, unexpired risk provisions, and other disclosures.
2. No limitations have been placed on my work.
3. I am independent with respect to BIL as defined under professional standard ISA (NZ) 620 of the External Reporting Board.
4. I have been provided with all information that I have requested in order to carry out this review.

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.
6. As at 31st March 2014, BIL's solvency position under the RBNZ Solvency Standard for Non-Life Insurance was as follows:

	March 2014	March 2013
Solvency capital	3,463,337	3,471,400
Calculated minimum capital requirement	1,831,569	1,784,725
Surplus on calculated minimum capital requirement	1,631,768	1,686,675
Solvency coverage ratio on calculated margin:	189.1%	194.5%
Overall minimum capital requirement per standard	3,000,000	3,000,000
Surplus on overall minimum capital requirement	463,337	471,400
Solvency coverage ratio on overall margin	115.4%	115.7%

Although the solvency coverage ratio has remained unchanged over the year, the Company has paid a \$300,000 dividend over the past year.

Assuming that the Company's business plans are realised and claims occur as projected, the Company is projected to exceed the minimum RBNZ requirement at all times over the next three years.

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

Yours sincerely



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



BENEFICIAL
INSURANCE LTD

Beneficial Insurance Limited

Annual Financial Statements

For the year ended 31 March 2014

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Beneficial Insurance Limited

Financial Statements for the year ended 31 March 2014



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 Stephen R Tietjens (Chairman)
Parent Company	Beneficial Holdings Limited
Auditors	Grant Thornton New Zealand Audit Partnership PO Box 1961 Auckland 1140
Appointed Actuary	Davies Financial and Actuarial Limited PO Box 35-258 Browns Bay Auckland New Zealand
Solicitors	Glaister Ennor PO Box 63 Auckland 1140
Bankers	Westpac Bank Limited Otahuhu, Auckland
Shareholder	Beneficial Holdings 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 2014.

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 2014;
- 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 2014; 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
Director

17 September 2014



Stephen R Tietjens
Director

17 September 2014

Beneficial Insurance Limited

Financial Statements for the year ended 31 March 2014



Statement of Comprehensive Income		Beneficial Insurance Limited	Beneficial Insurance Limited
for the year ended 31 March 2014		31 March 2014	31 March 2013
	notes		
Insurance Income	5	3,604,655	2,934,934
Insurance Expense and Related Charges		(1,807,837)	(1,504,596)
Net Insurance Income		1,796,818	1,430,338
Amortised Fair Value Discount on Finance Receivables	10	127,328	140,766
Other Income		32,494	34,423
Total Operating Income		1,956,640	1,605,527
Employee Benefits Expense		(726,762)	(601,368)
Operating Lease Expenses		(79,218)	(69,618)
Depreciation	12	(10,658)	(4,364)
Profit/(Loss) on Sale of Fixed Assets		2,826	7,726
Audit Fees - financial statements		(56,265)	(63,504)
Audit Fees - other audit compliance services		(3,000)	(3,000)
Other Operating Expenses		(699,200)	(697,602)
Total Expenses		(1,572,277)	(1,431,730)
Profit/(Loss) before Income Tax		384,363	173,797
Income Tax (expense)/credit	6	(92,425)	(49,432)
Profit/(Loss) after Income Tax		291,938	124,365
Other Comprehensive Income		-	-
Total Comprehensive Income for the year attributable to the Equity holder		291,938	124,365
Total Comprehensive Income/(loss) for the year attributable to the owner		291,938	124,365

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



Beneficial Insurance Limited

Financial Statements for the year ended 31 March 2014



Statement of Financial Position		Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
as at 31 March 2014	notes		
Assets			
Cash and Cash Equivalents	9	427,555	65,381
Insurance Premiums Receivables		1,718,958	1,132,573
Finance Receivables	10	3,000,192	3,369,447
Other Assets		173,829	43,969
Government Stock - Bond		500,000	500,000
Current Tax (Liability) / Asset		(63)	45
Property and Equipment	12	36,283	16,561
Deferred Acquisition Costs	11	599,442	635,275
Total Assets		6,456,196	5,763,251
Liabilities			
Payables		279,786	202,026
Deferred Tax Liabilities	8	145,338	52,913
Provision for Insurance Claims	14	315,000	283,027
Insurance Premiums in Advance		2,252,735	1,753,886
Total Liabilities		2,992,859	2,291,852
Net Assets		3,463,337	3,471,399
Equity			
Retained Earnings		3,463,337	3,471,399
Total Equity		3,463,337	3,471,399

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



Beneficial Insurance Limited

Financial Statements for the year ended 31 March 2014



Statement of Changes in Equity	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
for the year ended 31 March 2014		
Share Capital		
Balance as at 1 April 2012	-	-
12,738 Ordinary Shares	-	-
	-	-
Balance as at 31 March 2013	-	-
Balance as at 1 April 2013	-	-
Balance as at 31 March 2014	-	-
Retained Earnings / (Accumulated Losses)		
Balance as at 1 April 2012		3,347,034
Total comprehensive income		124,365
Balance as at 31 March 2013		3,471,399
Balance as at 1 April 2013	3,471,399	
Total comprehensive income	291,938	
Dividends Paid	(300,000)	
Balance as at 31 March 2014	3,463,337	
Equity		
Balance as at 1 April 2012		3,347,034
Total comprehensive income		124,365
Balance as at 31 March 2013		3,471,399
Balance as at 1 April 2013	3,471,399	
Total comprehensive income	291,938	
Dividends Paid	(300,000)	
Balance as at 31 March 2014	3,463,337	
Total Equity at the end of the period	3,463,337	3,471,399

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



Beneficial Insurance Limited

Financial Statements for the year ended 31 March 2014



Cash Flow Statement	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
for the year ended 31 March 2014		
Cash Flow from Operating Activities		
Receipts from Customers (Fee and Insurance Income)	3,387,259	2,963,620
Interest Received	30,000	34,423
Payments to Suppliers and Employees	(3,226,716)	(3,063,983)
Tax Paid	108	(9)
Movement in Financial Receivables	499,077	471,319
Net Cash inflow(outflow) from Operating Activities	689,728	405,370
Cash Flows from Investing Activities		
Sale of Property Plant and Equipment	4,106	
Purchase of Property, Plant and Equipment	(31,660)	4,220
Net Cash(used in)/ generated by Investing Activities	(27,554)	4,220
Cash Flows from Financing Activities		
Loan repayments to Related Parties	-	(500,000)
Dividends Paid	(300,000)	
Net Cash inflow/(outflow) from Financing Activities	(300,000)	(500,000)
Net Increase/(decrease) in Cash and Cash Equivalents	362,174	(90,410)
Cash and Cash Equivalents at beginning of period	65,381	155,791
Cash and Cash Equivalents at end of period	427,555	65,381

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



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.

On 28 February 2014 there was a change in control of the Company:

- All shares in the company were sold by Broadlands Finance Limited, to Beneficial Holdings Limited. There was no change in the ultimate shareholder;
- The sale process was reviewed by the Reserve Bank of New Zealand, who determined the transaction did not require any amendment to the conditions of the Company's Insurance Licence;

These financial statements were approved for issue by the Board of Directors on 17 September 2014.

note 2 Statement of Compliance and Basis of Preparation

The company has adopted the External Reporting Board Standards A1 *Accounting Standards Framework (For-profit Entities Update)* ("XRB A1"). For the purposes of complying with NZ GAAP, the company is applying New Zealand equivalence with International Financial Reporting Standards. The Company is a Tier 1 entity for financial reporting purposes.

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 AND PRESENTATION 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 unless otherwise stated.

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

- 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.
- CCI, GFP and Pet insurance claims which arise during the reporting period but which are not settled at the reporting date are recognised based on the present value of expected future payments.
- 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 the reporting 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, cash equivalents, finance receivables, and other receivables fall into this category of financial instruments.

Finance receivables and other receivables are considered for impairment when there is objective evidence that the Company will not be able to collect all expected amounts, and having regard to the Company's credit risk assessments.



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 at each reporting date 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 at each reporting date 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. 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. 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 expenses comprise current and deferred tax. Current tax is the tax payable to Inland Revenue on taxable profit for the period using existing tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax is calculated using the liability method on temporary differences between the carrying amount of assets and liabilities and their tax basis.

Deferred tax assets and liabilities are carried at the tax rates expected to apply when the assets are recovered or liabilities settled and they are not discounted. Deferred tax assets and liabilities are offset only when the company has a right and intention to set off current tax assets and liabilities from the same tax authority. Deferred tax assets and liabilities are carried on the basis that the Company expects future profits to exceed and reversal of existing temporary differences.

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.

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:

Beneficial Insurance Limited



Notes to the Financial Statements for the year ended 31 March 2014

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.

EQUITY, RESERVES AND DIVIDENDS

Share capital represents the nominal value of one share that has 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 the owner of the company are recorded separately within equity. Dividend income is recognised on the date that the dividend is declared.

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 each reporting date.

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% (2013: 15%) of outstanding claims. A loss ratio of 49% (2013: 49%) is used based on the pet insurance products available in New Zealand. A 7% (2013: 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% (2013: 15%) of outstanding claims. A loss ratio is estimated to be 3.6% (2013: 2%) based on historical financial performance of these products. A 50% (2013: 50%) risk margin is maintained so as to achieve a 75% likelihood of sufficiency.

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, 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 at each reporting date.
- (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 profit or loss within the Statement of Comprehensive Income by setting up a provision for premium deficiency.

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, the 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 1 April 2013:

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 has reviewed its valuation methodologies for conformity with the new requirements and assessed that there has been no impact on the Company's financial statements other than dealing with additional disclosures which have been reflected in these financial statements.

The Company will be impacted by the following two Standards:

NZ IFRS 9 – Financial instruments (effective date from 1 January 2018)

The IASB and the XRB will replace NZ IAS 39 Financial Instruments: Recognition and Measurement in its entirety with this new standard (NZ IFRS 9). This deals with recognition, classification, and measurement and de-recognition of financial assets and financial liabilities, expected credit losses and hedging. These chapters are effective for annual periods beginning on or after 1 January 2018.

Management have yet to assess the impact the standard is likely to have on the recognition and measurement of financial assets held by the Company.

NZ IFRS 15 – Revenue from contracts with customers (effective date from 1 January 2017)

The IASB and the XRB have published IFRS 15 Revenue from Contracts with Customers, the product of a major joint project between the IASB and the US FASB. The previous requirements of IFRS and US GAAP were not harmonised and often resulted in different accounting treatment for economically similar transactions. In respect, the Boards have developed new, fully converged requirements for the recognition of revenue under both IFRS and US GAAP.

NZ IFRS 15:

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations

Beneficial Insurance Limited

Notes to the Financial Statements for the year ended 31 March 2014

- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics
- expands and improves disclosures about revenue.

In particular, IFRS 15 includes important new guidance on:

- contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component, and
- various specific issues, such as non-cash consideration and asset exchanges, contract costs, rights of return and other customer options, supplier repurchase options, warranties, principal versus agent, licensing, breakage, non-refundable upfront fees, and consignment and bill-and-hold arrangements.

Transition to NZ IFRS 15 is retrospective, but it is subject to various practical expedients.

Management have yet to assess the impact of this Standard on the amount of revenue that is currently being recorded by the Company each reporting period.

note 4 Insurance Contracts and Financial Assets - Risk Management Policies and Procedures

INSURANCE ACTUARIAL ASSUMPTIONS AND METHODS

Methods

Significant estimates and judgements are made by the Company'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 the 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 is 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:

- Exposure details, including earned premiums and policy limits.
- Claim frequencies and average claim sizes.
- The legislative framework, legal and court environments and social and economic factors that may impact upon each class of business (Pet Insurance, CCI, and GFP).
- Historical and likely future trends in standard inflationary pressures relating to commodity prices and wages.
- Historical and likely future trends on inflationary pressures in addition to price or wage inflation, termed superimposed inflation.
- Historical and likely future trends of expenses associated with managing claims to finalisation.
- Historical and likely future trends of recoveries from sources such as subrogation and third party actions.
- 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). 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 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 each reporting date.
- (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 Company are affected by a number of key risks. These methodologies are consistent for both reporting periods. Notes on the Company'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 Company 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 Company. 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.

Beneficial Insurance Limited

Notes to the Financial Statements for the year ended 31 March 2014



Concentration of risk

The Company's exposure is diversified in so far as its risk is spread across New Zealand.

UNEXPIRED RISK LIABILITY

The Liability Adequacy Test (LAT) identifies an unexpired risk liability in a portfolio of contracts with broadly similar risks that are managed together. The Actuary has determined from his review that the full unearned premium provision net of Deferred Acquisition Costs is recoverable and the provision meets the LAT prescribed by NZIFRS4 "Insurance Contracts". A provision at 31 March 2014 is therefore not required (March 2013: \$50,592).

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

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

as at 31 March 2014	0 to 6 Months	7 to 12 Months	13 to 24 Months	25 to 60 Months	Over 60 Months	Total
Insurance Assets						
Deferred Acquisition Cost	132,683	451,655	9,289	5,696	119	599,442
Insurance Liabilities						
Provision for claims	315,000					315,000
Unexpired risk premium	-					-
Unearned premium liabilities	498,631	1,697,342	34,908	21,405	449	2,252,735
	813,631	1,697,342	34,908	21,405	449	2,567,735

as at 31 March 2013	0 to 6 Months	7 to 12 Months	13 to 24 Months	25 to 60 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

FINANCIAL RISK

- Interest rate risk. The Company is exposed to interest rate risk arising on interest bearing assets. The Company manages some of its exposure to this risk by holding the majority of such assets on short term maturities.
- Credit risk. The credit risk on financial assets of the Company is generally the carrying amount, net of any provisions for doubtful debts. The Company does not expect any counter parties to fail to meet their obligation



Beneficial Insurance Limited

Notes to the Financial Statements for the year ended 31 March 2014



and therefore does not require collateral or other security to support credit risk exposures. The credit risk on financial receivables is that expected cash flows do not recover their receivables value. The Company manages this risk through the establishment, monitoring and reporting of and against collection targets. Where appropriate, collateral or other security arrangements are established or enforced to support credit risk exposures.

- (iii) Market risk. The Company 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 Company primarily faces are interest rate risk, due to the nature of its investments and liabilities.
- (iv) Liquidity risk. The Company 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 Company manages this risk by considering potential daily calls in unison with its overall cash management position.

note 5 Revenue

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

Revenue	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
for the period ended		
Earned Premiums - CCI	41,059	61,116
Earned Premiums - Pet Insurance	3,550,776	2,861,723
Earned Premiums - GFP	12,820	12,095
Total Insurance Income	3,604,655	2,934,934

The Company is structured on a nationwide basis with all its activity being undertaken in New Zealand. The Chief Executive is considered to be the chief operating decision maker in terms of NZIFRS8 "Operating Segments" and all the activities undertaken by the company are aggregated into a single reporting segment. There are no transactions with a single external customer that amount to 10% or more of the Company's revenue.



Beneficial Insurance Limited

Notes to the Financial Statements for the year ended 31 March 2014

note 6 Income Tax

The relationship between the expected tax expense based on the domestic effective tax rate of the Company at 28% (2013: 28%) and the reported tax expense in the Statement of Comprehensive Income can be reconciled as follows:

Income Tax	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
for the period ended		
Current Tax	87,079	27,366
Deferred Tax	3,936	22,054
Tax Loss Offset	-	-
Adjustment to prior years	1,410	12
Tax Expense	92,425	49,432
Profit before Tax	384,363	173,797
Taxation at Statutory tax rate 28%	107,622	48,663
Permanent Differences	(16,499)	757
Adjustment to prior periods	1,410	(61)
Other	(108)	73
Income Tax rebate / (expense)	92,425	49,432

note 7 Imputation Credit Account

Imputation Credit Account	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
for the period ended		
Imputation credits available for use in subsequent reporting periods	579,356	579,356

note 8 Deferred Tax Liability

The non-current balance comprises temporary difference attributable to:

Deferred Tax Liability	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
as at		
Employee Benefits	6,041	7,750
Deferred Acquisition Costs	(167,844)	(177,877)
Other Provisions	16,465	28,726
Tax Losses	-	88,488
	(145,338)	(52,913)
Movements:		
Opening Balance	(52,913)	(3,467)
Movement in Deferred Tax	(92,425)	(49,446)

Beneficial Insurance Limited

Notes to the Financial Statements for the year ended 31 March 2014



note 9 Cash and Cash Equivalents

Cash and cash equivalents are all current and include the following components:

Cash and Cash Equivalents	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
as at		
Cash at Bank and in hand	427,555	65,381
Cash at Bank and in hand	427,555	65,381

note 10 Finance Receivables

Finance Receivables	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
as at		
Gross Value of Finance Receivables	3,741,151	4,251,172
Unamortised Fair Value Discount	(740,959)	(881,725)
Total Finance Receivables	3,000,192	3,369,447

Finance Receivables comprise the right to collect gross amounts due on a set of small consumer loans which were acquired from Broadlands Finance Limited on 30 March 2012 at fair value. The fair value at 30 March 2012 of these receivables (of which no further interest is recognised in the financial statements) was \$3,700,000. The gross value amount of the finance receivables were considered by the directors of the company to be a reasonable basis upon which to determine the time value of money of the financial asset (which has subsequent to 31 March 2012 been measured at amortised cost). The finance receivables amount is expected to be received in full within 8 years. The gross amount expected to be collected in the next reporting period is \$469,904 with the remainder expected in the following 7 years. The net current portion of the financial receivables is \$355,921 (March 2013; \$335,865).

The carrying value at each reporting date has been determined using a present value technique by discounting the expected cash flows from these financial assets using a discount rate of 4%. The discount rate has been determined using an interest rate that the Company considers it would receive from an unrelated third party.

The Company considers financial risk on these loans. The fair value of the finance receivables originally acquired of \$3.7 million comprised gross receivables of \$12.7 million purchased at a discount for credit losses of \$9.0 million. There is no impairment provided to the finance receivables as there is no objective evidence of impairment. For the reporting period the Company considers, based on those risk assessments, the financial receivables amount as disclosed are fully collectable. There is no market based interest rate sensitivity associated with this financial arrangement so no sensitivity analysis has been provided.



Beneficial Insurance Limited

Notes to the Financial Statements for the year ended 31 March 2014



note 11 Deferred Acquisition Costs

Deferred Acquisition Costs for the period ended	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
Deferred Acquisition Costs at the beginning of the year	635,275	537,807
Acquisition Costs Deferred		128,980
Amortisation charged to Income Statement	(35,833)	(31,512)
Deferred Acquisition Costs at end of the year	599,442	635,275

note 12 Property and Equipment

as at 31 March 2014	Furniture & fittings	Leasehold improvements	Office & computer	Motor vehicles	Total
Cost					
At Beginning of Year	3,000	8,663	32,022	7,116	50,801
Additions			3,630	28,030	31,660
Disposals				(7,115)	(7,115)
	3,000	8,663	35,652	28,031	75,346
Depreciation					
At Beginning of Year	1,197	3,009	24,672	5,362	34,240
Charge for the year	281	679	4,017	5,681	10,658
Eliminated on Disposals				(5,835)	(5,835)
At End of Year	1,478	3,688	28,689	5,208	39,063
Net Book Value at End of Year	1,522	4,975	6,963	22,823	36,283
At Beginning of Year	1,803	5,654	7,350	1,754	16,561

as at 31 March 2013	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			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



note 13 Categories of Financial Assets and Liabilities

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

Categories of Financial Assets and Liabilities for the period ended	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
Financial assets		
Loans and receivables :		
Cash and Cash Equivalents	427,555	65,381
Insurance Premium receivables	1,718,958	1,132,573
Government Stock - Bond	500,000	500,000
Finance Receivables	3,000,192	3,369,447
	5,646,705	5,067,401
Financial Liabilities		
Other Amortised Cost:		
Payables	279,786	202,026
Provision for Insurance Claims	315,000	283,027
Insurance Premiums in Advance	2,252,735	1,753,886
	2,847,521	2,238,939

note 14 Provision for Insurance Claims

Provision for Insurance for the period ended	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
Provision for Claims	315,000	232,435
Provision for Unexpired Risk Premium	-	50,592
Provision for Claims at end of the year	315,000	283,027

As per note 4, the provision for claims is expected to be payable within one year.

note 15 Capital Commitments

There were no capital commitments at 31 March 2014 (March 2013: \$Nil).

note 16 Contingencies

There are no contingent assets or liabilities at the reporting date (March 2013: \$Nil).



note 17 Related Party Transactions

2014	Relationship	Type	Transaction Receivable / (Payable)	
Purchase of goods/services				
Broadlands Finance Limited	Common Ownership	Shared Services	295,395	127,750
Broadlands Finance Limited	Common Ownership	Rent	69,618	
Executive Trustees Limited	Common Ownership	Rent	9,600	
NatWest Finance Limited	Common Ownership	Vehicle Leases	7,578	
Broadlands Finance Limited	Common Ownership	Commission CCI/GFP	6,948	2,585
Funds collected by a related party and refunded				
Broadlands Finance Limited	Common Ownership	CCI/GFP Net Premiums	13,897	6,699
Broadlands Finance Limited	Common Ownership	Finance Receivables	41,354	
2013	Relationship	Type	Transaction Receivable / (Payable)	
Broadlands Finance Limited	Common Ownership	Shared Services	173,445	(18,682)
Broadlands Finance Limited	Common Ownership	Rent	69,619	
Broadlands Finance Limited	Common Ownership	Commission CCI/GFP	28,286	
Broadlands Finance Limited	Common Ownership	CCI/GFP Premiums	56,573	
Broadlands Finance Limited	Common Ownership	Finance Receivables	39,211	3,866
Broadlands Finance Limited	Common Ownership	Loan Repayment	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 2014 (2013: \$Nil).

note 18 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 2014	Beneficial Insurance Limited 31 March 2013
Net Profit (Loss) after tax	291,938	124,365
Add Non-Cash Items		
Depreciation	10,658	4,364
(Profit)/Loss on Sales of Asset	(2,826)	(7,726)
Add movements in other working capital items		
(increase)/decrease in finance receivables	369,255	323,871
(increase)/decrease in insurance receivables	(586,385)	
(increase)/decrease in deferred tax asset	92,425	49,446
(increase)/decrease in other assets	(129,860)	(284,247)
(increase)/decrease in deferred acquisition costs	35,833	(97,468)
increase/(decrease) in Insurance premiums in advance	498,849	278,611
increase/(decrease) in current tax liabilities	108	(23)
increase/(decrease) in provisions	31,973	38,546
(Decrease) / increase in Accounts Payable and Accruals	77,760	(24,370)
Cash Inflow from operating activities	689,728	405,369

note 19 Beneficial Licensing under the Insurance Prudential Supervision Act 2010

On 18 September 2012 credit rating agency, AM Best issued the Company a B+ (Good), outlook Stable credit rating. This was re-affirmed on 19 September 2013.

Solvency Standard

Under Section 55 of the Insurance Prudential Supervision Act 2010, "IPSA", the Company 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.

as at	Beneficial Insurance Limited 31 March 2014	Beneficial Insurance Limited 31 March 2013
Actual Solvency Capital	3,463,337	3,471,399
Minimum Solvency Capital calculated under the standard	1,831,569	1,764,725
Minimum Solvency Capital requirement	3,000,000	3,000,000
Solvency Margin	463,337	471,399
Solvency Ratio	115%	116%

note 20 Capital Management

The Company's capital includes its share capital and retained earnings.

The Company's policy is to maintain a strong capital base to ensure it continues to operate as a going concern, to maintain policyholder, supplier and market confidence and to sustain future development of the business. The board regularly monitors current and future capital requirements and costs.

Outside the solvency requirements described in note 19 above, there are no externally imposed financial covenants arrangements that must be observed.

There has been no change in the Company's management of capital during the years ended 31 March 2014 and 31 March 2013.

note 21 Subsequent Events

On 16 September 2014 rating agency, AM Best Limited, affirmed the Company's credit rating at B+ (Good).

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 (2013: \$Nil).



Grant Thornton

Independent Auditor's Report

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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 24, which comprise the statement of financial position as at 31 March 2014, 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.

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

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

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

Opinion

In our opinion, the financial statements on pages 5 to 24:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Beneficial Insurance Limited as at 31 March 2014 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 New Zealand Audit Partnership
Wellington, New Zealand
17 September 2014