GROSVENOR ASSURANCE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

CONTENTS

Grosvenor Assurance Limited

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $	2010 $
Premium income		18,666	-
Interest income		27,350	-
Less amortisation of premiums on investments		(10,034)	-
Total Income		**35,982**	-
Claims expense	9	18,666	-
Profit before income tax		**17,316**	-
Income tax expense	7	5,195	-
Net profit for the year		**12,121**	-
Other comprehensive income		-	-
Total comprehensive income for the year		**12,121**	-

The accompanying notes form part of these financial statements.

Grosvenor Assurance Limited

Statement of Financial Position
as at 30 June 2011

	Note	2011 $	2010 $
Assets			
Current assets			
Cash and cash equivalents	13	10	-
Accrued Income	12	13,326	-
Current tax assets	7	5,530	-
Trade debtors and other receivables	12	21,766	-
Total current assets		40,632	-
Other assets			-
Investments	11	521,306	-
Total other assets		521,306	-
Total assets		561,938	-
Liabilities			
Current liabilities			
Claims provisions	10	6,666	-
Total liabilities		6,666	-
Net assets		555,272	-
Equity			
Share capital		543,151	-
Retained earnings		12,121	-
Total equity		555,272	-

The accompanying notes form part of these financial statements.

For and on behalf of the Board:

Director

Date: 21 November 2011

Director

Date: 21 November 2011

Grosvenor Assurance Limited

Statement of Changes in Equity
For the year ended 30 June 2011

	Share Capital $	Retained Earnings $	Total Equity $
Balance at 30 June 2010	-	-	-
Share capital provided by owners	543,151	-	543,151
Total comprehensive income for the year	-	12,121	12,121
Balance at 30 June 2011	543,151	12,121	555,272

The accompanying notes form part of these financial statements.

Grosvenor Assurance Limited

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows from operating activities			
Cash was provided from:			
Income		-	-
Cash was applied to:			
Bank Charges		(40)	-
Net Cash flows from operating activities	18	(40)	-
Cash Flows from investing activities			
Cash Flows from financing activities			
Cash was provided from:			
Loan from related party		50	-
Net Cash flows from Financing Activities		50	-
Net Increase in cash held		10	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		**10**	-

The accompanying notes form part of these financial statements.

1 Reporting entity

Grosvenor Assurance Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993.

The Company provides life insurance services for policyholders in accordance with policies issued.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards.

The financial statements were adopted by the Board of Directors on 21 November 2011.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional and presentation currency.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity then they are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses

Trade debtors and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Trade creditors and other payables

Trade and other payables are stated at cost.

3 Significant accounting policies continued

(b) Revenue

Revenue comprises the premiums received for life insurance policies issued and income from investments, and are recognised on an accruals basis.

(c) Claims

Claims are recognised when the liability to a policyholder has been established or upon notification of the insured event.

(d) Income tax expense

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items and utilised tax losses. Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(e) Standards, amendments and interpretations to existing standards

In the current reporting period, the Company has adopted all New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, effective from 1 July 2010 or earlier, that are relevant to its operation.

Certain new standards, amendments and interpretations to existing standards have been published but not yet effective, and have not been adopted early by the Company, as follows:

- NZ IFRS 9 Financial Instruments: Classification and Measurement
- NZ IFRS 10 Consolidated Financial Instruments
- NZ IFRS 13 Fair Value Measurement

In relation to these standards, which are effective from 1 January 2013, management has yet to assess the impact that it is likely to have on the financial statements.

4 Critical accounting estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

4 Critical accounting estimates and judgements continued

Life insurance liabilities are calculated at each reporting period using mathematical and statistical models. The valuations are prepared by appropriately qualified and experienced members of the New Zealand Society of Actuaries on the basis of internationally recognised actuarial methods set out in Professional Standards issued by the New Zealand Society of Actuaries.

A key factor affecting the estimation of life insurance liabilities is the mortality experience on the life insurance products offered by the Company.

5 Actuarial methods and policies

The actuarial reports on policyholder liabilities and solvency reserves for the year ended 30 June 2011 were prepared by an independent actuary, Linda Caradus BA (Hons) FIA FNZSA of Melville Jessup Weaver.

The actuaries have examined the information used for the determination of the liabilities and have satisfied themselves as to the accuracy of the data from which policy liabilities have been determined.

6 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade debtors and other receivables
The fair value of trade debtors and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Trade creditors and other payables
Trade payables including accruals not yet billed are recognised when the Company becomes obliged to make future payments as a result of the purchase of assets or services. These amounts are unsecured and have generally 30-day payment terms.

(c) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

7 Income tax expense in the income statement

	2011	2010
	$	**$**
Components of tax expense		
Current tax expense	5,195	-
Income tax expense	**5,195**	-
Current year income tax expense		
Net profit before tax	**17,316**	-
Current year income tax expense @ 30%	**5,195**	-
Current Tax Asset		
Opening balance	-	-
Tax (Expense)	(5,195)	-
Tax Paid	10,725	-
Closing Balance	**5,530**	-

7 Income tax expense in the income statement continued

Imputation credit account

	2011 $	2010 $
Balance at the beginning of the year	-	-
Credits from tax paid	10,725	-
Balance at year end	**10,725**	-

Reconciliation of effective tax rate Company

	2011 %	2011 $	2010 %	2010 $
Profit after tax for the year		12,121		-
Total income tax expense		5,195		-
Profit excluding income tax		17,316		-
Income tax using the Company's domestic tax rate	30%	5,195	0%	-
Non taxable income	0%	-	0%	-
	30%	**5,195**	0%	-

Deferred tax

All the Company's investment income is assessable and all expenses deductible in the current year, consequently deferred tax at 30 June 2011 is $nil (2010: $nil)

8 Surplus after taxation

Surplus after taxation arose from:

	2011 $	2010 $
Life insurance contracts		
Planned margins of revenues over expenses	-	-
Difference between actual and assumed experience	-	-
Effects of changes in underlying assumptions and/or methods	-	-
Investment earnings on surplus assets	12,121	-
	12,121	-

9 Claims expense

Claims expense is comprised of the following:

	2011 $	2010 $
Claims paid	12,000	-
Increase in claims provision	6,666	-
	18,666	-

10 Claims provision

	2011 $	2010 $
Balance at the beginning of the year	-	-
Increase in provision for claims	6,666	-
Balance at year end	**6,666**	-

The provision for claims consists of an allowance for claims incurred before balance date but not reported. Claims experience during the year indicated that all claims were notified within two months of occurrence, consequently an allowance has been made of 16.67% of the actuarial claims estimate for the 2011 financial year. There were no unpaid claims at 30 June 2011.

11 Investments

Investments at 30 June 2011 are as follows:	2011 $	2011 $
New Zealand Government Bonds maturing 15 April 2013	521,306	-
	521,306	-

The bond has a coupon rate of 6.5%.

12 Trade debtors and other receivables

	2011 $	2011 $
Receivables due from related party-Grosvenor Financial Services Group Limited	21,766	-
Other receivables	13,326	-
Total	**35,092**	-

13 Cash and cash equivalents

	2011 $	2011 $
Bank balances	10	-
Cash and cash equivalents	10	-

The effective interest rate on bank balances in 2011 was 2.5% percent (2010: nil).

14 Risk management

In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments.

(i) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has policies in place to manage these risks. The Company has adopted a policy of only dealing with reputable established businesses as a means of mitigating the risk of financial loss from defaults. The maximum credit risk for financial assets recognised on the balance sheet is the carrying amount less, where applicable, any provisions for doubtful debts.

Financial assets of significance at year end consisted of a New Zealand Government bond valued at $521,306 which is considered very low risk.

(ii) Foreign currency risk

Grosvenor Assurance Limited incurs no foreign currency risk.

(iii) Interest rate risk

Fixed rate deposits are subject to market risk in the event of interest rate changes. There is one fixed rate deposit at balance date however it is held on a held-to-maturity basis and therefore not subject to market risk (2010: nil).

(iv) Liquidity risk

The following table presents contractual cashflows for all financial liabilities and for derivatives settled on a gross cash flow basis.

2011	Balance sheet $	Contractual cash flows $	6 months or less $	6 to 12 months $	1 to 2 years $	2 to 5 years $	Over 5 years $
Provision for claims	6,666	6,666	6,666	-	-	-	-
Total liabilities	**6,666**	**6,666**	**6,666**	-	-	-	-

2010	Balance sheet $	Contractual cash flows $	6 months or less $	6 – 12 months $	1 - 2 years $	2 – 5 years $	Over 5 years $
Provision for claims	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-

14 Risk management continued

(v) Insurance risk

The Company provides life insurance cover for policyholders and consequently is exposed to a variation in the expected incidence of claims at any point in time. This exposure is offset by the fact that the policyholder of the one policy issued at 30 June 2011 is contracted to pay a premium equal to the cost of all claims and expenses incurred in relation to that policy.

The effect of the above is that currently the Company has no insurance risk but is exposed to credit risk by its reliance on the policyholder to fund claims and expenses. After taking into account the low incidence of claims to date, the mortality estimates provided by the actuary and the strong financial backing of the policyholder, the Company considers the credit risk to be low.

(vi) Net fair values

The carrying amount of all financial assets and liabilities recorded in the financial statements approximates their net fair values.

Estimation of fair values

The net fair values of financial assets and liabilities is determined using a hierarchy as follows:

Level one - quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level two - inputs other than quoted prices included in level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level three - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2011, no investments were categorised as held at fair value.

The carrying value of cash and receivables are assumed to approximate their fair value due to their short term nature.

15 Capital management

The Company considers its capital to comprise of its ordinary share capital plus retained earnings.

In managing its capital, the Company's primary objective is to ensure its continued ability to provide insurance services and the payment of claims as they arise. In order to achieve this objective, the Company assesses each relevant transaction to ensure risks are at an acceptable level and also to maintain a sufficient revenue stream to enable the Company to meet its working capital needs and policy liabilities.

16 Related parties

Parent and ultimate controlling party
Grosvenor Financial Services Company Limited is the immediate parent and the ultimate controlling party of the Company.

Related party transactions and balances.
The following transactions occurred with related parties. All transactions are at arms length.

	2011	2010
	$	$
Premiums received	18,666	-
Reimbursement of transaction costs	18,666	-
Receivables at 30 June	21,766	-

16 Related parties continued

Details of Key Management Personnel

Directors

The Directors of Grosvenor Assurance Limited are considered to be key management personnel. The Directors during the period reported and up to the date of the report are:

Stephen Charles Benton	appointed 24 June 2010
Peter Brian Christensen	appointed 24 June 2010
William Anthon Ractliffe	appointed 24 June 2010
Allan Seng Tong Yeo	appointed 24 June 2010

Key management personnel remuneration

All Directors are employed as directors of Grosvenor Financial Services Group Limited, and in that capacity, part of their role is to act as Directors of the Responsible Entity. Consequently, no compensation as defined in NZ IAS 24 Related Parties is paid by the Responsible Entity to these Directors as Key Management Personnel.

17 Solvency

The solvency position of the Company is determined in accordance with New Zealand Society of Actuaries Professional Standard No 5.01 - Solvency reserving for life insurance business.

	2011	2010
	$	$
Equity of shareholder	555,272	-
Minimum solvency capital	29,025	-
Solvency Margin	526,247	-
Equity as a multiple of minimum solvency capital	19.1	
Solvency margin as a proportion of policy liabilities	78.9	

18 Reconciliation of reported surplus after taxation with net cash from operating activities

	2011	2010
	$	$
Profit/(loss) for the period	12,121	-
Changes in assets and liabilities:		-
Decrease/(increase) in receivables	(5,501)	-
Decrease/(increase) in accrued income	(13,326)	-
Increase/(decrease) in claims provision	6,666	-
Net cash outflow from operating activities	(40)	-

19 Capital commitments

The Company had no capital commitments at 30 June 2011 (2010:nil).

20 Events occurring after reporting date

There were no events or matters subsequent to reporting date which would require any disclosure in or adjustment to this annual report.

21 Auditors Remuneration

Auditor's remuneration of $2,000 (2010: nil) is included in the audit fee of the parent company Grosvenor Financial Services Group Limited.

Grant Thornton

Independent Auditor's Report

Audit

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To the Shareholders of Grosvenor Assurance Limited

Report on the Financial Statements

We have audited the financial statements of Grosvenor Assurance Limited on pages 1 to 11, which comprise the statement of financial position as at 30 June 2011, 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 auditors, we have no relationship with or interests in Grosvenor Assurance Limited.

Opinion

In our opinion, the financial statements on pages 1 to 11:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Grosvenor Assurance Limited as at 30 June 2011 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 Grosvenor Assurance Limited as far as appears from an examination of those records.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
21 November 2011