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CHINA TAIPING

**CHINA TAIPING INSURANCE (NZ) CO., LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**CHINA TAIPING INSURANCE (NZ) CO., LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**CONTENTS**

	<b><u>PAGE</u></b>
Directors' Report	2-3
Auditors' Report	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Financial Position	7
Notes to Financial Statements	8 – 26

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## DIRECTORS' REPORT

We are very pleased to be able to present the annual report for the year ended 31 December 2012 to shareholders and other interested parties.

**RESULT:** The Loss of China Taiping Insurance (N Z) Co., Limited for the year before tax was -\$388,639 (2011: -\$1,296,692).

**DIVIDEND:** The Directors recommend that no dividend to be paid.

**AUDITOR:** In terms of the Companies Act 1993, Deloitte is to continue in office as the Company's auditor.

		\$
<b>APPROPRIATIONS:</b>	Loss attributable to shareholders	(388,639)
	Accumulated Loss brought forward	(1,603,322)
		<hr/>
	Accumulated Loss carried forward	\$ (1,991,961)
		<hr/>

**ACTIVITIES:** The principal activities during the year were those of insurance underwriting and investment.

**REGISTERED OFFICE:** Level 10E  
17 Albert Street  
Auckland City  
New Zealand

No disclosure has been made pursuant to Section 211(1) (a) and (e) to (j) of the Companies Act 1993 following a unanimous decision by the shareholders in accordance with Section 211 (3) of the Act.

The Company's principal activity in the course of the financial year was insurance underwriting. In relation to the devastating Christchurch earthquake, the financial effects on the Company have been significant. Given the unsustainable rise in reinsurance premiums and the financial burden on the Company, the Directors took the prudent decision in August 2012 to close the operation to new business. As a result, the Company ceased renewing expired policies and stopped underwriting new policies from August 2012. The Company will continue to operate and honour its obligations under existing policies until the Company winds down completely, the timing of which has not been confirmed.

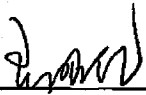
The Company is firmly committed to maintaining the highest levels of corporate governance and risk management process, and the Company will continue to act promptly and proactively on any areas for improvement.

Finally we would like to express our sincere thanks to our loyal and dedicated staff for the efforts in contributing to the overall success of the Company in the year 2012.


**CHINA TAIPING INSURANCE (NZ) CO., LIMITED**

**DIRECTORS' REPORT**

**ON BEHALF OF THE BOARD**

  
\_\_\_\_\_  
Director

2 - 4 - 2013 Date

  
\_\_\_\_\_  
Director

2 - 4 - 2013 Date



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
CHINA TAIPING INSURANCE (NZ) CO., LIMITED**

**Report on the Financial Statements**

We have audited the financial statements of China Taiping Insurance (NZ) Co., Limited on pages 5 to 26, which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Board of Directors' Responsibility for the Financial Statements**

The Board of 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 Board of 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 and 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 the accounting policies used and the reasonableness of accounting estimates, as well as the overall 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 and the provision of taxation advice, we have no relationship with or interests in China Taiping Insurance (NZ) Co., Limited.

**Opinion**

In our opinion, the financial statements on pages 5 to 26:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of China Taiping Insurance (NZ) Co., Limited as at 31 December 2012, and its financial performance for the year ended on that date.

**Basis of Preparation**

Without qualifying our opinion, we draw your attention to Note 1, which explains that the Company's Directors took the decision in August 2012 to close the operation to new business and stopped underwriting new policies. Accordingly, as disclosed in Note 1, the financial statement have been prepared on other than a going concern basis and in accordance with the accounting policies outlined in Note 1.

**Report on Other Legal and Regulatory Requirements**

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2012:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by China Taiping Insurance (NZ) Co., Limited as far as appears from our examination of those records.

**Chartered Accountants**  
2 April 2013  
Auckland, New Zealand

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$	2011 \$
Direct Premium Revenue	21	6,541,547	12,215,480
Movement in Unearned Premium	21	4,552,798	(1,582,415)
Outward Reinsurance Premium Expense	12	(5,313,697)	(6,057,579)
Movement in Deferred Reinsurance Premium	21	(2,257,141)	1,165,100
<b>Net Premium Revenue</b>		<b>3,523,507</b>	<b>5,740,586</b>
Direct Claims Expenses		5,907,205	32,887,337
Reinsurance and Other Recoveries Revenue		(4,361,075)	(29,058,127)
<b>Net Claims Incurred</b>		<b>1,546,130</b>	<b>3,829,210</b>
Acquisition Costs		270,658	922,685
Underwriting Expenses	11	2,371,679	2,781,582
Write Down For Premium Deficiency	25	395,000	
		<b>3,037,337</b>	<b>3,704,267</b>
<b>Underwriting Loss</b>		<b>(1,059,960)</b>	<b>(1,792,891)</b>
Investment Revenue	8	276,875	507,014
Sundry Income	32	394,446	7,164
Interest Expenses	6(vi)	-	(17,979)
<b>Loss Before Income Tax Expense</b>		<b>(388,639)</b>	<b>(1,296,692)</b>
Income Tax Expense	30	-	-
<b>Loss Attributable to Shareholders</b>		<b>(388,639)</b>	<b>(1,296,692)</b>
<b>Total Comprehensive Loss for the year</b>		<b>(388,639)</b>	<b>(1,296,692)</b>

The attached notes on pages 8 to 26 form part of and should be read in conjunction with these financial statements.

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Share Capital \$	Accumulated Deficit \$	Total \$
Balance as at 1 January 2011		6,990,981	(306,630)	6,684,351
Loss and Total Comprehensive Income for the year		-	(1,296,692)	(1,296,692)
Share issued to Parent		2,036,047	-	2,036,047
Balance as at 31 December 2011		<u>9,027,028</u>	<u>(1,603,322)</u>	<u>7,423,706</u>
Loss and Total Comprehensive Income for the year		-	(388,639)	(388,639)
Balance as at 31 December 2012		<u>9,027,028</u>	<u>(1,991,961)</u>	<u>7,035,067</u>

*The attached notes on pages 8 to 26 form part of and should be read in conjunction with these financial statements.*

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## STATEMENT OF FINANCIAL POSITION

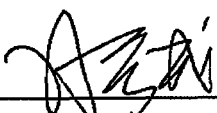
AS AT 31 DECEMBER 2012

	Notes	2012 \$	2011 \$
<b>Assets</b>			
Cash and Cash Equivalents		3,991,729	2,388,658
Trade and Other Receivables	13	123,028	4,823,356
Tax Receivable		92,609	249,903
Inter-company Receivables	6	1,056	11,372
Deferred Reinsurance Premium	21	1,018,955	3,276,096
Reinsurance and other Recoveries Claimed	24	24,152,042	31,749,401
Investment	18	2,698,924	4,251,574
Intangibles	15	1,234	2,909
Property, Plant & Equipment	14	428,363	446,516
<b>Total Assets</b>		<b>32,507,940</b>	<b>47,199,785</b>
<b>Liabilities</b>			
Trade and Other Payables	16	7,921,608	8,842,164
Outstanding Claims Liability	22	15,480,148	24,705,000
Provision for Unearned Premium	21	1,676,117	6,228,915
Unexpired Risk Liability	25	395,000	-
<b>Total Liabilities</b>		<b>25,472,873</b>	<b>39,776,079</b>
<b>Net Assets</b>		<b>7,035,067</b>	<b>7,423,706</b>
Accumulated Deficit	10	(1,991,961)	(1,603,322)
Share Capital	9	9,027,028	9,027,028
<b>Total Equity</b>		<b>7,035,067</b>	<b>7,423,706</b>

For and on behalf of the board of directors who authorized the issue of this financial report on the date signing:

 Director

2-4-2013 Date

 Director

2-4-2013 Date

The attached notes on pages 8 to 26 form part of and should to be read in conjunction with these financial statements.



# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 1. STATEMENT OF ACCOUNTING POLICIES

#### **Reporting Entity**

The financial statements are for the reporting entity China Taiping Insurance (NZ) Co., Limited. The company is registered under the Companies Act 1993.

The Company holds a provisional licence under the Insurance (Prudent Supervision) Act 2010.

#### **Financial Reporting Framework**

The financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

#### **Statement of Compliance**

The financial report has been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('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 that qualify for and apply differential reporting concessions.

#### **Basis of Preparation**

The general accounting policies recognised as appropriate for the measurement and reporting of results, and the financial position have been followed in the preparation of these financial statements. The historical cost method as modified by the revaluation of certain assets has been followed. The reporting currency is New Zealand dollars.

In the application of NZ IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. It is possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

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

Judgments made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The Directors took the decision in August 2012 to close the operation to new business and stopped underwriting new policies. As a result, the Company ceased renewing expired policies and stopped underwriting new policies from August 2012. The Company will continue to operate and honour its obligations under existing policies until the Company winds down completely, the timing of which has not been confirmed. Accordingly, the Financial Statements have been prepared on a basis other than going concern. This change to a basis other than going concern has not had a significant impact on the amounts recognised and presented in the Financial Statements or on the Statement of Accounting Policies below.

#### **Significant Accounting Policies**

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

a) Property, Plant & Equipment

The cost of purchased property, plant & equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Depreciation of Property, Plant & Equipment

Property, plant & equipment are depreciated on a diminishing value basis so as to write off the cost less the estimated residual value of these assets over their estimated useful lives. Expenditures for

maintenance and repairs are charged to the profit and loss account as incurred, expenditure incurred to major improvements is capitalised and depreciated. The diminishing rates are:

Motor Vehicles	26%-36%
Office Furniture	14%-18%
Office Equipment & others	11.4%-60%
Buildings	4%-14.4%
Computer hardware	48%

b) Intangible Assets

Software is finite life intangibles and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a diminishing value basis so as to write off the cost less the estimated residual value of these assets over their estimated useful lives. Amortisation is included in expenses. The diminishing rates are 48%-60%.

c) Disposals of Tangible and Intangible Assets

The difference between the proceeds on disposal and net book value is recognised in the profit and loss account.

d) Revenue Recognition

General Insurance Revenue

Premium revenue for Fire & General Business comprises amounts charged to policyholders or other insurers. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. The pattern of recognition of revenue over the policy or indemnity periods is based on time, which closely approximates the pattern of risks underwritten.

Unearned premium is determined by apportioning the premiums written over the period of risk from the date of attachment of risk, based on the number of days of unexpired cover for each policy.

Investment Revenue

Investment revenue is shown before deduction of income tax and is included on an accrual basis and dividends are included to the extent declared before balance date.

e) Unearned Premium

Provisions in respect of the proportion of premiums relating to risk in future periods of account are calculated on the 365ths basis.

f) Deferred Acquisition Expenses

Acquisition expenses, principally comprising commissions and brokerage expenses incurred on obtaining insurance contracts, are deferred and expensed over the period in which the related premiums are earned. A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are an asset and are measured at the lower of cost and recoverable amount.

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

#### g) Claims

Reported claims have been assessed in the light of the information available at balance date and after taking account of expected trends in future settlements.

The Outstanding Claims provision comprises the estimated costs of claims incurred including indirect claims settlement costs, whether reported or not, and claims not settled at balance date. The provision for claims incurred but not reported has been evaluated and assessed by using standard actuarial techniques produced by PricewaterhouseCoopers as at 31 December 2012.

All claims except Earthquake related claims are expected to be settled within one year.

#### h) Income Tax

Income tax for the period is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### i) Operating Leases

Operating lease rentals are recognised evenly over the expected period of benefit to the company.

#### j) Foreign Exchange Policy

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Monetary items receivable or payable in a foreign currency are translated at balance date at the closing rate. Exchange differences on foreign currency balances are recognised in the Statement of Comprehensive Income.

#### k) Outwards Reinsurance

Premiums ceded to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received.

#### l) Reinsurance and Other Recoveries Receivables

Reinsurance and other recoveries receivables on paid claims, reported claims not yet paid and claims incurred but not reported are recognised as revenue. Recoveries receivable on reported claims not yet paid and claims incurred but not reported are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable in relation to long-tail classes are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

#### m) Trade and Other Receivables

Accounts receivable are stated at their estimated net realisable value after allowance for bad or doubtful debts and credit notes due. An allowance is established when the entity will not be able to collect all amounts due to the original term of the receivable. Any decrease or increase of the allowance is recognized in the income statement within underwriting expenses.

#### n) Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

o) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

p) Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently the company has only classified financial assets in the 'Loans and receivables' and 'At fair value through profit or loss' categories.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

p) Financial Assets (continued)

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

q) Financial Liabilities

Trade and other payables are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

Trade and other payables are classified as 'other financial liabilities'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the liability.

## 2. DIFFERENTIAL REPORTING

The Company qualifies for differential reporting exemptions as the Company is not publicly accountable and there is no separation between the shareholders and the governing body. The Company has elected to apply all the available exemptions except for the exemption under NZ IAS 18 Revenue which allows revenue and expenses to be recognised inclusive of goods and services tax and NZ IAS 21. The Effects of Changes in Foreign Exchange Rates allowing the measurement of transactions in foreign currencies at the settlement rate.

## 3. CHANGES IN ACCOUNTING POLICY

The accounting policies set out above have been applied consistently to all periods presented in these financial statements. Accordingly, there have been no changes in accounting policies from those contained in the last audited financial statements.

## 4. ULTIMATE HOLDING COMPANY

China Taiping Insurance Group Co. incorporated in the People's Republic of China, is the Company's ultimate holding company.

## 5. PARENT COMPANY

China Taiping Insurance Group (HK) Company Limited, incorporated in Hong Kong, is the Company's immediate parent company.

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 6. RELATED PARTY TRANSACTIONS

#### Related Party Transactions

- (i) China Taiping Insurance Group (HK) Company Limited provides management services to the Company. No management fee was charged this year, and \$214,221 relating to 2011's management fee accrued in 2011 was forgiven by China Taiping Insurance Group (HK) Company Limited and was written back into the Profit & Loss (2011: \$214,221).
- (ii) China Taiping Insurance Group Co. training centre provides training to the Company. No training fee was charged this year (2011: \$33,160).
- (iii) Reinsurance inwards from Taiping Reinsurance Company Limited amounted of \$10,615 was accrued for this year (2011: \$15,937).
- (iv) Taiping Reinsurance Brokers Ltd. was acting as reinsurance agent for the Company. All reinsurance outwards/inwards issues were dealt through this activity. Net reinsurance ceded was \$5,313,697 this year (2011: \$6,067,578). Reinsurance recovery was \$13,154,467 this year (2011: \$13,046,409).
- (v) During 2012, there was no loan between China Taiping Insurance Group (HK) Company Limited and China Taiping (NZ) Company Limited and there was no share capital converted. (2011: totalling \$2,036,047, the total debt was converted into capital therefore adding 2,036,047 shares at \$1 each to China Taiping Insurance (NZ) Co., Limited).
- (vi) There was no interest expense in the year 2012 (2011: \$17,979)

#### Related Party Balances:

	<u>2012</u> \$	<u>2011</u> \$
<b>Inter-company Receivable</b>		
- Taiping Reinsurance Co., Ltd.	1,056	11,372
<b>Inter-company Payable</b>		
- China Taiping Insurance Group (HK) Company Limited	-	232,202
<b>Reinsurance Recovery Receivable</b>		
- Taiping Reinsurance Brokers Ltd.	10,354,434	8,862,335
<b>Reinsurance Account Payable</b>		
- Taiping Reinsurance Brokers Ltd.	7,578,095	6,046,076

The amounts outstanding are unsecured, and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

These amounts are included in reinsurance and other recoveries receivables (Note 24) and Trade and other payables (Note 16).

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 7. PRINCIPAL ACTIVITIES

The principal activities during the year were insurance underwriting and investment.

### 8. INVESTMENT REVENUE

	<u>2012</u>	<u>2011</u>
	\$	\$
Investment Revenue comprises:		
Interest on Government Stock	155,600	190,576
Interest on Short Term Deposits	44,806	155,985
Interest on Cash Account	116,189	28,051
Lease Investment Revenue	5,218	14,250
Other Investment Revenue Loss	(44,938)	118,152
	<u>276,875</u>	<u>507,014</u>

### 9. SHARE CAPITAL

	Notes	<u>2012</u>	<u>2011</u>
		\$	\$
Opening balance		9,027,028	6,990,981
Issued share capital	6 (v)	-	2,036,047
Closing balance (Issued and fully paid ordinary capital )		<u>9,027,028</u>	<u>9,027,028</u>

All shares carry equal voting rights and share equally in any surplus upon winding up. The share capital balance represents 9,027,028 ordinary shares at \$1 each.

Changes to the Companies Act in 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July 1994. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

### 10. ACCUMULATED DEFICIT

	<u>2012</u>	<u>2011</u>
	\$	\$
Opening balance	(1,603,322)	(306,630)
Loss and total comprehensive income for the year	(388,639)	(1,296,692)
Closing balance	<u>(1,991,961)</u>	<u>(1,603,322)</u>

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 11. EXPENSES

Expenses are made up of:

	<u>2012</u>	<u>2011</u>
	\$	\$
Employee Salary Expenses	1,314,501	1,432,589
Defined Contribution Plans-Kiwi Saver	10,698	12,383
Employee Benefits-Medical Insurance	13,822	-
Employee Redundancy Expenses	200,270	-
Operating Lease Expenses	63,583	126,991
Advertising and Marketing	457	936
Depreciation and Amortization	22,502	28,465
Travel Expenses	36,594	44,765
Other Expenses	608,072	653,109
Deferred Acquisition Cost Write-off	101,180	482,344
	<u>2,371,679</u>	<u>2,781,582</u>

	<u>2012</u>	<u>2011</u>
	\$	\$
<b>Depreciation Expenses Included:</b>		
Depreciation: Motor Vehicles	5,286	8,260
Buildings	8,717	9,261
Office Equipment & other	1,420	1,591
Computer hardware	3,683	3,445
Office furniture	1,721	1,881
Amortization of software	1,675	4,027

<b>Auditor Remuneration:</b>		
Audit Fee for Audit of Financial Statements	83,686	70,747
Tax Advices Services	3,255	-
Solvency Return	3,000	-

<b>Employee Benefits Expenses:</b>		
Staff Salary	1,043,204	1,049,556
Staff Bonus	215,952	281,249
Staff Annual Leave Provision	55,344	101,131
Medical Insurance	13,823	16,819
Staff Redundancy Fee	200,270	-

### 12. REINSURANCE CEDED

	<u>2012</u>	<u>2011</u>
	\$	\$
Reinsurance Premiums Written	5,731,597	6,866,872
Reinsurance Commissions	(417,900)	(809,293)
	<u>5,313,697</u>	<u>6,057,579</u>



# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 13. TRADE AND OTHER RECEIVABLES

	<u>2012</u>	<u>2011</u>
	\$	\$
Premium Debtors	185,984	4,770,599
Brokerage Refundable	4,456	-
Provision for bad debts	(150,000)	(30,000)
Sundry Debtors	82,588	82,757
	<u>123,028</u>	<u>4,823,356</u>

The provision for bad debts in relation to trade receivables is provided for based on estimated irrecoverable amounts determined by reference to current customer circumstances and past default experience. In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. In the current year the Company has provided for a broker that has gone into liquidation for the amount of \$150,000 regarding a broker who is liquidation (2011: nil).

### 14. PROPERTY, PLANT AND EQUIPMENT

	<u>At Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
	\$	\$	\$
<u>2012</u>			
Motor Vehicles	109,657	100,259	9,398
Office Furniture	59,587	49,617	9,970
Office Equipment & others	35,836	33,954	1,882
Buildings	618,824	216,107	402,717
Computer hardware	120,525	116,129	4,396
	<u>944,429</u>	<u>516,066</u>	<u>428,363</u>
<u>2011</u>			
Motor Vehicles	109,657	94,972	14,685
Office Furniture	59,587	47,896	11,691
Office Equipment & others	35,836	32,534	3,302
Buildings	618,824	207,390	411,434
Computer hardware	117,850	112,446	5,404
	<u>941,754</u>	<u>495,238</u>	<u>446,516</u>

### 15. INTANGIBLES

	<u>At Cost</u>	<u>Accumulated Amortisation</u>	<u>Net Book Value</u>
	\$	\$	\$
<u>2012</u>			
Software	49,517	48,283	1,234
<u>2011</u>			
Software	49,517	46,608	2,909

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 16. TRADE AND OTHER PAYABLE

	<u>2012</u>	<u>2011</u>
	\$	\$
Accounts Payable & Premium Payable	28,952	293,071
Brokerage & Commission payable	28,903	1,023,194
Payable to Reinsurance Company (Note 6)	7,578,095	6,046,076
Sundry Creditors and Accruals	285,658	1,479,823
	<u>7,921,608</u>	<u>8,842,164</u>

The average credit limit for payables owing to the Company's reinsurer and brokers is 74 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

### 17. CAPITAL COMMITMENTS

There were no capital commitments in the year 2012 (2011: \$Nil).

### 18. INVESTMENTS

	<u>2012</u>	<u>2011</u>
	\$	\$
Fixed Interest maturing <12 months	-	1,507,713
Government Stock	543,278	560,723
Auckland City Council Bond	2,155,646	2,183,138
Total investments	<u>2,698,924</u>	<u>4,251,574</u>

### 19. INSURER FINANCIAL STRENGTH RATING

China Taiping Insurance (NZ) Co., Ltd has a Financial Strength Rating of B+ , and a Credit Rating of BBB- issued by A.M. BEST Company, an approved agency by the Reserve Bank of New Zealand.

### 20. FINANCIAL INSTRUMENTS

#### (a) Foreign Exchange

The Company undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise. The Company does not take out forward exchange contracts to manage these exposures and translates these transactions at the spot rate.

#### (b) Fair Value of Financial Instruments

The carrying value of loans and receivables and financial liabilities at amortised costs are considered to approximate their fair values. This is because these financial instruments are short term in nature.

Investment in government bond is stated at fair value. Fair value is calculated by reference to the market yield as at year end.

# CHINA TAIPING INSURANCE ((NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 21. UNEARNED PREMIUM RESERVE

<u>2012</u>	Gross \$	Reinsurance \$	Net \$
As at 1 January	6,228,915	(3,276,096)	2,952,819
Premium on contracts written	6,541,547	(5,731,597)	809,950
Earnings of premium written	(11,094,345)	7,988,738	(3,105,607)
Movement in unearned premium	(4,552,798)	2,257,141	(2,295,657)
As at 31 December	1,676,117	(1,018,955)	657,162

<u>2011</u>	Gross \$	Reinsurance \$	Net \$
As at 1 January	4,646,500	(2,110,996)	2,535,504
Premium on contracts written	12,215,480	(6,866,872)	5,348,608
Earnings of premium written	(10,633,065)	5,701,772	(4,931,293)
Movement in unearned premium	1,582,415	(1,165,100)	417,315
As at 31 December	6,228,915	(3,276,096)	2,952,819

### 22. CLAIMS PROVISIONS

	<u>2012</u> \$	<u>2011</u> \$
Estimate of Expected Future Payments for Claims Reported including:		
Reported Claims	13,757,148	22,051,147
Indirect Claims Settlement Costs	100,000	125,000
Incurred But Not Reported	1,623,000	2,528,853
Gross Provision	15,480,148	24,705,000

### 23. OPERATING LEASE OBLIGATIONS

Obligations payable after balance date on non-cancellable operating leases are as followings:

	<u>2012</u> \$	<u>2011</u> \$
Not later than one year	-	31,378
Later than one year and not later than five years	-	-
Total	-	31,378

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 24. REINSURANCE AND OTHER RECOVERIES RECEIVABLE

	<u>2012</u>	<u>2011</u>
	\$	\$
Reinsurance Recovery Receivable (Note 6)	10,354,434	8,862,335
Other Recovery Receivable	186,055	177,066
Outstanding Claims Recovery Receivable	12,330,553	20,269,403
IBNR Claims Recovery Receivable	1,281,000	2,440,597
	<u>24,152,042</u>	<u>31,749,401</u>

Outstanding claims recovery receivable and IBNR claims recovery receivable require confirmation from Taiping Reinsurance Brokers Ltd. Once confirmed they will form part of related party receivables.

### 25. LIABILITY ADEQUACY TEST

The liability adequacy test carried out on the portfolios in the current year, in accordance with NZ IFRS 4 identified a deficiency, therefore total deferred acquisition cost of \$101,180 has been fully written off, see note 11. Additional unexpired risk liability is required, the amount is \$395,000.

A risk margin of 14% for property and 9% for motor has been applied in the liability adequacy test and this is intended to provide at least a 75% level of sufficiency.

### 26. REINSURANCE PROGRAMME

The Company's reinsurance program is structured to adequately protect the Company's solvency and capital position. It covers per risk and event losses assessed as the worst possible scenario. Reinsurance is placed to cover losses in excess of the company's agreed retention for each class of business.

### 27. EQUITY RETAINED FOR THE PURPOSES OF FINANCIAL SOUNDNESS

The Company retains a level of share capital which enable it to maintain an adequate solvency margin for ongoing ability to pay clients.

### 28. PROVISION FOR EMPLOYEE ENTITLEMENT

Annual leave and time off in lieu of overtime worked are recognised as they accrue to employees, based on current rates of pay. As at 31<sup>st</sup> December 2012, provision for annual leave is \$55,343 (2011:\$ 101,131) and is included in trade and other payables (Note 16).

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 29. ACTUARIAL INFORMATION

The appointed actuary who carried out the review of the outstanding claims and unexpired risk liability of the Company is Christine Ormrod from the actuarial team at PricewaterhouseCoopers New Zealand.

Report Date: 28 February 2013

Qualifications: Fellow of New Zealand Society of Actuaries (FNZSA)  
Fellow of the Institute and Faculty of Actuaries of London (FIA)

The report relied on historical data and other qualitative and quantitative information provided by China Taiping Insurance (NZ) Co., Limited. The appointed actuary also reconciled the business data to the financial data in which the overall result is acceptable.

#### Unexpired risk liability

The unearned premium liability in respect of both the domestic and commercial portfolios was found to be deficient as at 31 December 2012.

The probability of sufficiency (POS) adopted in performing the liability adequacy test is set at the 75<sup>th</sup> percentile which is the same as that adopted in determining the outstanding claims liabilities (OCL).

The POS for OCL is set at a level that is appropriate and sustainable to cover the company's claims obligations after having regard to the prevailing market environment and prudent industry practice.

Being a test of adequacy, the POS for LAT is set to highlight deficiencies in product pricing following an analysis of the company's profit margins that equates to the company's cost of capital after having regard to regulatory minimum requirements.

#### (a) Assumptions

<u>CALCULATION OF DEFICIENCY</u>	2012(000's)	Management has reviewed the actuary report and
Unearned premium liability relating to insurance contracts issued	657	
Related deferred acquisition costs	101	
Central estimate of present value of expected future cash flows arising from future claims on insurance contracts issued	360	
Risk margin of 14% for property, 9% for motor	43	
<u>INITIAL SURPLUS</u>	153	

underlying assumptions, and management has made the following adjustments to the assumptions:

- Best estimate for excess of loss premium has increased by \$452,000.
- Best estimate for maintenance expense has increased by \$197,000.

The impact of these changes results in a net deficiency of \$496,030 rather than a net surplus of \$153,000, as a result, related deferred acquisition costs of \$101,180 has been written off to \$nil, see Note 11 and Note 25.

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

The following assumptions have been made in determining the outstanding claims liabilities

	2012	
	Property	Motor
Inflation rate	0%	0%
Superimposed inflation rate	0%	0%
Discount rate	0%	0%
Discounted mean term (years)	0	0
Claim handling expense ratio	10%	10%
Risk margin	9%	6%

### (b) Processes used to determine assumptions

The valuations included in the reported results are calculated using assumptions including:

#### ***Inflation rate***

The actuarial methods do not make explicit allowance for future inflation; however, an implicit allowance is made because they project past development rates of claim inflation contained within the data's historical claim development.

#### ***Superimposed inflation rate***

There is a tendency for claim costs, particularly for the liability classes, to increase at levels in excess of standard inflationary pressures. This can be due to a number of factors including court awards and precedents and social and environmental pressures. This is often termed superimposed inflation and is analysed and forecast separately from wage inflation.

#### ***Discount rate***

For the estimation of the outstanding claims no allowance has been made for future investment earnings.

#### ***Claims Handling Expenses***

The Company is responsible for the ongoing management of all claims incurred on or before 31 December 2012. To reflect this expense, an allowance is included in the central estimate of the outstanding claims liability. The indirect claims expense of 10% of net claims has been assumed, the same rate is assumed for outstanding claims. No allowance has been made for discounting of claims costs. The loss ratios applied were the undiscounted loss ratios. This provides a small positive margin.

#### ***Ultimate loss ratio***

This is the ratio of incurred losses to earned premium (both net of reinsurance) inherent in actual experience to date plus outstanding payments.

Losses for property line were split into attrition and catastrophic losses. Bornhuetter-Ferguson (BF) method is used to project expected ultimate loss ratios for attrition losses. The BF method is appropriate for a line of business or accident/underwriting year for which there is a lack of developed claims experience.

#### ***Risk margin***

A risk margin at a 75% level of sufficiency has been used to determine the outstanding claims liability on the liability line of business as at 31 December 2012. The minimal risk margin reflects the predominantly short tail nature of the business.

The net claims incurred relating to a reassessment of risks borne in previous reporting periods are not significant. There is no significant concentration of insurance risk due to the nature of the portfolio and the reinsurance program.

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### (b) Processes used to determine assumptions (continued)

#### *Risk margin (continued)*

The risk margin is calculated to bring the claim reserve to 75% confidence level using the bootstrap method. The resulting risk margin is 6% for motor and 9% of unpaid losses for property. For risk margin in URR (for liability adequacy test), 1.5 times of that is taken. Thus, risk margin assumption for URR is 13.5% for property and 9% of expected losses and LAE for motor. This is to reflect that cash flow with respect to URR is expected to have higher uncertainty than that of claim reserve.

### (c) Sensitivity Analysis

The following tables show the methodology, reconciliation and assumptions used in the sensitivity analysis. Since the Company did not record gross premium liability in its balance sheet, sensitivity analysis on gross premium liability is not applicable.

#### Gross Claim Liability

Sensitivity Analysis (Gross Claim Liabilities NZ\$K)				
Risk Variables*	Risk Margin		Accident Year 2012 Ultimate Loss ratios	
	105%	95%	101%	99%
Changes in Risk Variables				
Reserve without changes	15,480	15,480	15,480	15,480
Reserve with changes	15,543	15,417	15,482	15,477
Change in Reserve	63	-63	2	-3
*Factors are applied multiplicatively to the assumptions for both motor and property lines.				

Change in risk margin assumptions will cause insurance liability to change by NZD \$63k. Increase or decrease in accident year 2012 ultimate loss ratios by 1% will change insurance liability by about NZD \$2k and – NZD \$3k.

#### Net Claim Liability

Sensitivity Analysis (Gross Claim Liabilities NZ\$K)				
Risk Variables*	Risk Margin		Accident Year 2012 Ultimate Loss ratios	
	105%	95%	101%	99%
Changes in Risk Variables				
Reserve without changes	1,869	1,869	1,869	1,869
Reserve with changes	1,875	1,863	1,869	1,869
Change in Reserve	6	-6	0	0
*Factors are applied multiplicatively to the assumptions for both motor and property lines.				

Change in risk margin assumptions will cause net insurance liability to change by NZD \$ 6k. Increase or decrease in accident year 2012 ultimate loss ratios by 1% will make no significant change to insurance liability. Since this is at net of reinsurance basis, this will also directly impact insurer's equity.

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### 30. TAXATION

Income tax on pre-tax profit from operations reconciles to income tax expense in the financial statements as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Loss before income tax expense	(388,639)	(1,296,692)
Income tax calculated at 28%	(108,818)	(363,073)
Non deductible items	5,163	5,467
Deferred tax increase not recognized	(49,701)	161,330
Utilization of brought forward tax losses	-	-
Tax loss not recognized for accounting	153,356	196,276
Income tax recognized in profit and loss	-	-

### 31. FINANCIAL INSTRUMENTS

#### (a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

#### (b) Capital risk management

The Company manages its capital to ensure that the entities in the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital and retained earnings as disclosed on the statement of changes in equity.

The directors review the capital structure on a regular basis, as part of this review the directors consider the cost of capital and the risks associated with each class of capital. The directors will balance the overall capital structure through the issue of new debt or the redemption of existing debt when required.

#### (c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's reinsurance recoveries are from a fellow related party, who has maintained a credit rating of A- in the current financial year. The Company's investments are spread across several banks and bond providers, thereby minimizing the credit risks.



# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### (d) Categories of financial assets and financial liabilities

As at 31 December 2012	Loans and receivable	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	3,991,729	-	-	3,991,729
Trade and Other Receivables	123,028	-	-	123,028
Reinsurance and other recoveries claimed	24,152,042	-	-	24,152,042
Inter-company receivables	1,056	-	-	1,056
Investment in bond	-	2,698,924	-	2,698,924
<b>Total financial assets</b>	28,267,855	2,698,924	-	30,966,779
Non-financial assets				1,541,161
<b>Total assets</b>				<u>32,507,940</u>

### Liabilities

Trade and other payables	-	-	7,921,608	7,921,608
Reported Claims Liabilities	-	-	15,480,148	15,480,148
<b>Total financial liabilities</b>	-	-	23,401,756	23,401,756
Non-financial liabilities				2,071,117
<b>Total liabilities</b>				<u>25,472,873</u>

As at 31 December 2011	Loans and receivable	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	2,388,658	-	-	2,388,658
Trade and Other Receivables	4,823,356	-	-	4,823,356
Reinsurance and other recoveries claimed	31,749,401	-	-	31,749,401
Inter-company receivables	11,372	-	-	11,372
Investment in term deposit	1,507,713	-	-	1,507,713
Investment in bond	-	2,743,861	-	2,743,861
<b>Total financial assets</b>	40,480,500	2,743,861	-	43,224,361
Non-financial assets				3,975,424
<b>Total assets</b>				<u>47,199,785</u>

### Liabilities

Trade and other payables	-	-	8,842,164	8,842,164
Reported Claims Liabilities	-	-	24,705,000	24,705,000
<b>Total financial liabilities</b>	-	-	33,547,164	33,547,164
Non-financial liabilities				6,228,915
<b>Total liabilities</b>				<u>39,776,079</u>

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### (e) Liquidity risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the board of directors, who has built a liquidity risk management framework for the management of the company's short, medium and long term investment portfolio, which can be liquidated at short notice. The company has received confirmation from the parent company that the parent will provide short term funding to the Company if required to meet the Company's claim obligations.

The following tables summarise the maturity profile of the company's financial liabilities:

	Weighted Average Interest Rate %	Less than 1 year	1-5 years	5+years	Total
2012					
Outstanding Claims Liabilities	0	2,439,216	11,317,932	-	13,757,148
<b>Financial Liabilities</b>					
Non-interest bearing payables	0	7,921,608	-	-	7,921,608
		10,360,824	11,317,932	-	21,678,756

	Weighted Average Interest Rate %	Less than 1 year	1-5 years	5+years	Total
2011					
Outstanding Claims Liabilities	0	2,474,866	19,576,281	-	22,051,147
<b>Financial Liabilities</b>					
Non-interest bearing payables	0	8,842,164	-	-	8,842,164
		11,317,030	19,576,281	-	30,893,311

### (f) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks are currency exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk.

The Company primarily faces interest rate risk due to the nature of its investments and liabilities. The Company manages its exposure to this risk by holding the majority of such assets on short term maturities.

The following table details the Company's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets except the Company anticipates that the cash flow will occur in a different period.

	Weighted Average Interest Rate %	Less than 1 year	1-5 years	5+years	Total
2012					
Non interest bearing					
Cash	0	3,991,729	-	-	3,991,729
Trade Debtors	0	123,028	-	-	123,028
<b>Fixed interest rate instruments</b>					
Short term deposits	-	-	-	-	-
Government bonds/others	6.14	155,600	2,695,750	-	2,851,350
		4,270,357	2,695,750	-	6,966,107

# CHINA TAIPING INSURANCE (NZ) CO., LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

### (f) Market risk (continued)

	Weighted Average Interest Rate %	Less than 1 year	1-5 years	5+years	Total
2011					
Non interest bearing					
Cash	0	2,388,658	-	-	2,388,658
Trade Debtors	0	4,823,356	-	-	4,823,356
Fixed interest rate instruments					
Short term deposits	5.12	1,507,713	-	-	1,507,713
Government bonds/others	6.14	155,600	2,853,850	-	3,009,450
		8,875,327	2,853,850	-	11,729,177

### 32. SUNDRY INCOME

	<u>2012</u>	<u>2011</u>
	\$	\$
Foreign Exchange Profit/Loss	1,113	7,164
Reversal of Unused Accrual	149,112	-
Intercompany Receipts	214,221	-
Bad Debt Recovered	30,000	-
	<u>394,446</u>	<u>7,164</u>

### 33. CONTINGENT LIABILITIES

As at 31<sup>st</sup> December 2012, there were no contingent liabilities existing at balance date (2011: \$Nil) not otherwise provided for in these financial statements.

### 34. SUBSEQUENT EVENTS

No subsequent events to note.



Richard Sun  
General Manager  
China Taiping Insurance (NZ) Co Limited  
PO Box 3398  
Shortland Street  
Auckland 1010

29 May 2013

***Appointed actuary's review of actuarial information for China Taiping Insurance (NZ) Company Limited***

Dear Richard

This letter has been prepared for China Taiping Insurance (NZ) Company Limited (CTPI) to met the requirements of Section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act) in respect of Section 77 of the Act, which requires that each licensed insurer must ensure that the actuarial information contained in, or used in preparation of, the financial statements of the insurer is reviewed by the appointed actuary.

I have reviewed the following actuarial information included in the audited accounts for CTPI as at 31 December 2012:

- outstanding claims liability
- provision for unearned premium
- unexpired risk reserve
- IBNR claim recovery receivables.

I have been provided with all the information and explanations that I have required to complete my review.

I am the appointed actuary to CTPI and am employed by PricewaterhouseCoopers New Zealand. I am independent of CTPI.

In my opinion:

- the actuarial information contained in the financial statements has been appropriately included in those statements; and
- the actuarial information used in the preparation of the financial statements has been used appropriately; and
- CTPI is maintaining a solvency margin as required under Solvency Standard for Non-life Insurance Business in Run-off issued by the Reserve Bank of New Zealand.





### ***Reliances and limitations***

This letter has been prepared for China Taiping Insurance (NZ) Company Limited and is provided in accordance with the terms set out in our engagement letter dated 12 September 2012.

No distribution of this letter to third parties, other than as required by law is permitted by us. There may be requests for our report to be copied to third parties. We will be happy to consider these requests, as and when they arise.

Our responsibilities and liabilities are limited to China Taiping Insurance (NZ) Company Limited and exist only in the context of their use of our letter. No liability or responsibility will be accepted by us in relation to the use of our report for any other purpose. We will not accept any liability or responsibility to any third party recipients.

We have relied on information provided to us in the course of carrying out our work. We perform some data validation checks but we have not verified all of the information provided to us, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the total reliability, accuracy or completeness of the information provided to us and upon which we have relied. We have no reason to believe that the information provided to us is inaccurate or misleading.

This letter must be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other. If distributed, this letter must be distributed in its entirety.

This letter is not considered an actuarial report under Professional Standard 9.1 of the New Zealand Society of Actuaries.

Yours sincerely  
for PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Ormrod'.

Christine Ormrod FNZSA  
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