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CHINA TAIPING

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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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 2013 to shareholders and other interested parties.

RESULT:	The Loss of China Taiping Insurance (N Z) Co., Limited for the year before tax was -$627,224 (2012: -$388,639).	
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.	
		$
APPROPRIATIONS:	Loss Attributable to Shareholders	(627,224)
	Accumulated Loss Brought Forward	(1,991,961)
	Accumulated Loss Carried Forward	$ (2,619,185)
ACTIVITIES:	The principal activities during the year were those of claims handling 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 claims handling. 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 01 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 2013.

ON BEHALF OF THE BOARD

____________ Director   12-05-2014 Date

____________ Director   12-05-2014 Date

Deloitte.

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 4 to 31, which comprise the statement of financial position as at 31 December 2013, statement of profit or loss and other 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.

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 4 to 31:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of China Taiping Insurance (NZ) Co., Limited as at 31 December 2013, and its financial performance and its cash flows 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 2013:

- 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.

Deloitte

Chartered Accountants
12 May 2014
Auckland, New Zealand

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $	2012 $
Direct Premium Revenue	20	(80,962)	6,541,547
Movement in Unearned Premium	20	1,676,117	4,552,798
Outward Reinsurance Premium Expense	11	(377,203)	(5,313,697)
Movement in Unearned Reinsurance Premium	20	(1,018,955)	(2,257,141)
Net Premium Revenue		198,997	3,523,507
Direct Claims Expenses		4,115,859	5,907,205
Reinsurance and Other Recoveries Revenue		(4,300,136)	(4,361,075)
Net Claims Incurred	32	(184,277)	1,546,130
Acquisition Costs		(3,105)	270,658
Underwriting Expenses	12	1,656,463	2,371,679
Write Down For Premium Deficiency	24	(395,000)	395,000
Net Underwriting Expenses		1,258,358	3,037,337
Underwriting Loss		(875,084)	(1,059,960)
Gain/(Loss) on Revaluation of Financial Assets		(81,448)	(44,938)
Investment Revenue	8	244,378	321,813
Sundry Income	27	84,930	394,446
Loss Before Income Tax Expense		(627,224)	(388,639)
Income Tax Expense	29	-	-
Loss Attributable to Shareholders		(627,224)	(388,639)
Total Comprehensive Loss for the year		(627,224)	(388,639)

The attached notes on pages 8 to 31 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 2013

	Notes	Share Capital $	Accumulated Deficit $	Total $
Balance as at 1 January 2012		9,027,028	(1,603,322)	7,423,706
Loss and Total Comprehensive Loss for the year			(388,639)	(388,639)
Balance as at 31 December 2012		9,027,028	(1,991,961)	7,035,067
Loss and Total Comprehensive Loss for the year			(627,224)	(627,224)
Balance as at 31 December 2013		9,027,028	(2,619,185)	6,407,843

The attached notes on pages 8 to 31 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 2013

	Notes	2013 $	2012 $
Assets			
Cash and Cash Equivalents		2,293,396	3,991,729
Trade and Other Receivables	13	82,521	123,028
Tax Receivable		115,539	92,609
Intercompany Receivables	6	466	1,056
Unearned Reinsurance Premium	20	-	1,018,955
Investment	18	2,617,475	2,698,924
Reinsurance and Other Recoveries Receivable	23	10,230,054	24,152,042
Intangibles	15	530	1,234
Property, Plant & Equipment	14	412,675	428,363
Total Assets		15,752,656	32,507,940
Liabilities			
Trade and Other Payables	16	1,048,548	7,921,608
Outstanding Claims Liability	21	8,296,265	15,480,148
Provision for Unearned Premium	20	-	1,676,117
Unexpired Risk Liability	24	-	395,000
Total Liabilities		9,344,813	25,472,873
Net Assets		6,407,843	7,035,067
Accumulated Deficit	10	(2,619,185)	(1,991,961)
Share Capital	9	9,027,028	9,027,028
Total Equity		6,407,843	7,035,067

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

_______________ Director   12-05-2014 Date

_______________ Director   12-05-2014 Date

The attached notes on pages 8 to 31 form part of and should to be read in conjunction with these financial statements.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $	2012 $
Cash Flow From Operating Activities			
Cash Was Provided From:			
Premium Received		14,911	12,107,393
Reinsurance Recoveries		18,105,785	11,801,091
Third Party Recoveries		231,823	157,343
Investment Income Received		190,192	277,007
GST Refund		2,464,795	713,443
Income Tax Refund		44,466	241,076
Others Received		1,713	44,975
		21,053,685	25,342,328
Cash Was Disbursed to:			
Claims Paid		(12,531,432)	(17,015,145)
Reinsurance Paid		(7,768,925)	(3,771,362)
Taxes Paid		(207,683)	(131,473)
Payment to Suppliers and Employees		(2,149,923)	(4,296,859)
Others Paid		(95,267)	(29,456)
		(22,753,230)	(25,244,295)
Net Cash Inflow (Outflow) From Operating Activities	31	(1,699,545)	98,033
Cash Flow From Investing Activities			
Cash Was Provided From:			
Proceeds From Sale of Property, Plant & Equipment		2,192	-
Proceeds from sale of investments		-	1,507,713
		2,192	-
Cash Was Provided To:			
Purchase of Property, Plant & Equipment		(980)	(2,675)
Purchase of Investments		-	-
		(980)	(2,675)
Net Cash Inflow (Outflow) From Investing Activities		1,212	1,505,038
Cash Flow From Financing Activities			
Cash Was Provided From:			
Capital Issued to Shareholders		-	-
			-
Net Cash Inflow (Outflow) From Financing Activities		-	-
Net Increase/ (Decrease) in Cash Held		(1,698,333)	1,603,071
Cash and Cash Equivalents at The Beginning of Year		3,991,729	2,388,658
Cash and Cash Equivalents at The End of Year		2,293,396	3,991,729
Comprising:			
Bank		2,293,396	3,991,729

The attached notes on pages 8 to 31 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 2013

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The financial statements are for the reporting entity China Taiping Insurance (NZ) Co., Limited (Company). The Company is incorporated in New Zealand under the Companies Act 1993, the address of its registered office is Level 10E, 17 Albert Street, Auckland CBD.

The Company obtained a provisional licence on 20 Jan 2012, and a full licence on 13 Aug 2013 respectively from the Reserve Bank of New Zealand under the Insurance (Prudent Supervision) Act 2010.

Financial Reporting Framework

As of 1 Jan 2013, the Company became an issuer under section 4(1)(da) of the Financial Reporting Act 1993. Accordingly the financial statements have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

Statement of Compliance

The financial statements have 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. They also comply with International Financial Reporting Standards ('IFRS').

The Company has previously qualified for differential reporting concessions, after the Company became an issuer on 1 January 2013, the Company has no longer applied differential reporting exemptions. As retrospective application of the changes in accounting policies have not resulted in material measurement or recognition differences, comparative information was not restated in these financial statements.

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 1 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.

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

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.

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.

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.

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

h) Income Tax

Current Tax

Current tax 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).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amont of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets and liabilites are recognised for temporary differences at the tax rates expected to apply when the assets are recovred or liabilites settled, based on the tax rates enacted or substantively enacted for each jurisdiction. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Such assets and liabilites are not recognised if the temporary difference arises from goodwill or from the initial recogniton (other than in a business combination) of the other assets and liabities in a transaction that affects neither the taxable profit nor the accounting profit.

Current tax and deffered tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Income Tax

The income tax expense is the tax payable on taxable income for the current period, based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

i) Goods and Services Tax

All revenues, expenses and certain assets are recognised net of goods and services taxes (GST) except where the GST is not recoverable. In these circumstances the GST is included in the related asset or expense. Receivables and payables are reported inclusive of GST. The net GST payable to or recoverable from the tax authorities as at balance date is inclueded as a receivalbe or payable in the balance sheet.

Cash flows are included in the statements of cash flows on a net basis to the extent that the GST is not recoverable and has been included in the expense or asset.

j) Operating Leases

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

k) 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 Profit or Loss.

l) Outwards Reinsurance

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

m) 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.

n) 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.

o) 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.

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.

p) 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. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Claims Liabilities
Provision is made at the end of the year for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company take all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

b) IBNR/IBNER/Re-opened Claims
For non earthquake claims, the allowance for incurred but not reported and incurred but not enough reported has been determined based on an analyse of historic experience. There is no specific allowance for re-opened claims other than that implicit in the historic experience.

For earthquake related claims, case estimates are considered to be the best estimate of outstanding payments on known claims and there is an allowance of 2.35% of paid claims for IBNR and re-opened claims. All re-opened claim payments are assumed to be reinsured.

c) 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.

d) 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. Given the short expected term of the liabilities, there is no explicit allowance for superimposed inflation but it has been taken into consideration in setting the risk margin.

2. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION (Continued)

e) Discount Rate
The large majority of the claims are expected to be paid within a year and there is no allowance for discounting. The average weighted expected term to settlement is 0.7 years.

f) Claims Handling Expenses
Claim handling expenses have been determined on the basis that the Company is an ongoing entity and the allowance is taken 10% of net future payments for claims incurred, in line with prior year assumptions.

g) 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 2013.

The risk margin for non-earthquake claims is calculated based on an analysis of historic experience and is 6% for motor and 9% for property of unpaid losses. For earthquake claims the risk margin is 9% of unpaid losses.

h) Assets Arising from Reinsurance Contracts
Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured. Objective evidence includes notification of insolvency of the debtor and upon receipt of similar evidence that the Company will be unable to collect the amount.

3. IMPACT OF AMENDMENTS TO NZ IFRS

Standards and Interpretations effective in the current period

The Company has adopted NZ IFRS 13 in the current year effective 1 January 2013. NZ IFRS 13 replace the fair value measurement guidance contained in individual NZ IFRSs with a single source of guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements. The adoption of the standard has not changed the recognition and measurement of any assets or liabilities and required minimal change to disclosures in the financial statements.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective that are relevant to the Company:

Name	Effective for annual reporting periods beginning on or after
NZ IFRS 9 Financial Instruments	1 January 2017
Amendments to NZ IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Annual Improvements to NZ IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to NZ IFRSs 2011-2013 Cycle	1 July 2014

Directors expect to adopt the above Standards and Interpretations in the period in which they become mandatory. The directors anticipate that the above Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

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.

6. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

Key management personnel are those directors and executive managers who have authority and responsibility for planning, directing and controlling the activities of the Company.

	2013 $	2012 $
Short-term Employee Benefits	694,882	576,788
Post-employment Benefits and Retiring Allowances	-	-
Remuneration of Key Management Personnel	694,882	576,788

Related Party Transactions

(i) China Taiping Insurance Group (HK) Company Limited provides management services to the Company. No management fee was charged this year (2012: $0).

(ii) China Taiping Insurance Group Co. training centre provides training to the Company. No training fee was charged this year (2012: $0).

(iii) Reinsurance inwards from Taiping Reinsurance Company Limited amounted of $466 was accrued for this year (2012: $10,615).

(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 $377,203 this year (2012: $5,313,697). Reinsurance recovery was $10,181,493 this year (2012: $13,154,467).

6. RELATED PARTY TRANSACTIONS (Continued)

Related Party Balances:

	2013 $	2012 $
Intercompany Receivable		
- Taiping Reinsurance Co., Ltd.	466	1,056
Intercompany Payable - China Taiping Insurance Group (HK) Company Limited	-	-
Reinsurance Recovery Receivable - Taiping Reinsurance Brokers Ltd.	2,424,448	10,354,434
Reinsurance Account Payable - Taiping Reinsurance Brokers Ltd.	153,483	7,578,095

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 23) and Trade and other payables (Note 16).

7. PRINCIPAL ACTIVITIES

The principal activities during the year were insurance claims handling and investment.

8. INVESTMENT REVENUE

	2013 $	2012 $
Investment Revenue Comprises:		
Interest on Government Stock	154,000	155,600
Interest on Short Term Deposits	-	44,806
Interest on Cash Account	86,686	116,189
Lease Investment Revenue	3,692	5,218
	244,378	321,813

9. SHARE CAPITAL

	2013	2012
	$	$
Opening Balance	9,027,028	9,027,028
Issued Share Capital	-	-
Closing Balance (Issued and Fully Paid Ordinary Capital)	9,027,028	9,027,028

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

	2013	2012
	$	$
Opening Balance	(1,991,961)	(1,603,322)
Loss and Total Comprehensive Income for The Year	(627,224)	(388,639)
Closing Balance	(2,619,185)	(1,991,961)

11. OUTWARD REINSURANCE PREMIUM EXPENSE

	2013	2012
	$	$
Reinsurance Premiums Written	357,241	5,731,597
Reinsurance Commissions	19,962	(417,900)
	377,203	5,313,697

12. EXPENSES

Expenses are made up of:

	2013 $	2012 $
Employee Salary Expenses	1,077,895	1,314,501
Defined Contribution Plans-Kiwi Saver	9,512	10,698
Employee Benefits-Medical Insurance	10,266	13,822
Employee Redundancy Expenses	261,356	200,270
Operating Lease Expenses	10,655	63,583
(Gain)/Loss on Sale of Fixed Assets	(1,148)	-
Advertising and Marketing	240	457
Depreciation and Amortization	16,329	22,502
Travel Expenses	10,305	36,594
Other Expenses	261,053	608,072
Deferred Acquisition Cost Write-off	-	101,180
	1,656,463	2,371,679

Included in the above are following expenses:	2013 $	2012 $
Depreciation and Amortization Expenses included:		
Depreciation: Motor Vehicles	3,383	5,286
Buildings	8,213	8,717
Office Furniture & Equipment	1,748	3,141
Computer Hardware	2,281	3,683
Amortization of Software	704	1,675
Auditor Remuneration:		
Audit Fee for Audit of Financial Statements	72,870	83,686
Tax Advice Services-GST and Tax Return Services	6,990	3,255
Solvency Return(audit-related assurance service)	3,000	3,000
Employee Benefits Expenses:		
Staff Salary	697,305	1,043,204
Staff Bonus	315,590	215,952
Staff Annual Leave Provision	65,000	55,344
Medical Insurance	10,266	13,823
Staff Redundancy Fee	261,356	200,270

13. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Premium Debtors	-	185,984
Brokerage Refundable	-	4,456
Provision for Bad Debts	-	(150,000)
Sundry Debtors	82,521	82,588
	82,521	123,028

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 no such provision (2012: $150,000).

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Land	Office Furniture and Office Equipment	Computer Hardware	Motor Vehicles	Total
	$	$	$	$	$	$
2013						
Cost:						
At 1 January	390,181	228,643	95,423	120,525	109,657	944,429
Additions	-	-	-	980	-	980
Disposals	-	-	(7,437)	-	-	(7,437)
At 31 December	390,181	228,643	87,986	121,505	109,657	937,972
Accumulated Depreciation:						
At 1 January	216,107	-	83,571	116,129	100,259	516,066
Depreciation Charged	8,213	-	1,748	2,281	3,383	15,625
Disposals	-	-	(6,394)	-	-	(6,394)
At 31 December	224,320	-	78,925	118,410	103,642	525,297
At 31 December						
At Cost	390,181	228,643	87,986	121,505	109,657	937,972
Accumulated Depreciation	224,320	-	78,925	118,410	103,642	525,297
Net Book Value	165,861	228,643	9,061	3,095	6,015	412,675
2012						
Cost:						
At 1 January	390,181	228,643	95,423	117,850	109,657	941,754
Additions	-	-	-	2,675	-	2,675
Disposals	-	-	-	-	-	-
At 31 December	390,181	228,643	95,423	120,525	109,657	944,429
Accumulated Depreciation:						
At 1 January	207,390	-	80,430	112,446	94,972	495,238
Depreciation Charged	8,717	-	3,141	3,683	5,287	20,828
Disposals	-	-	-	-	-	-
At 31 December	216,107	-	83,571	116,129	100,259	516066
At 31 December						
At Cost	390,181	228,643	95,423	120,525	109,657	944,429
Accumulated Depreciation	216,107	-	83,571	116,129	100,259	516,066
Net Book Value	174,074	228,643	11,852	4,396	9,398	428,363

15. INTANGIBLES

	Computer Software	Total
	$	$
2013		
Cost:		
At 1 January	49,517	49,517
Additions	-	-
Disposals	-	-
At 31 December	49,517	49,517
Accumulated Depreciation:		
At 1 January	48,283	48,283
Depreciation Charged	704	704
Disposals	-	-
At 31 December	48,987	48,987
At 31 December		
At Cost	49,517	49,517
Accumulated Depreciation	48,987	48,987
Net Book Value	530	530
2012		
Cost:		
At 1 January	49,517	49,517
Additions	-	-
Disposals	-	-
At 31 December	49,517	49,517
Accumulated Depreciation:		
At 1 January	46,608	46,608
Depreciation Charged	1,675	1,675
Disposals		
At 31 December	48,283	48,283
At 31 December		
At Cost	49,517	49,517
Accumulated Depreciation	48,283	48,283
Net Book Value	1,234	1,234

16. TRADE AND OTHER PAYABLE

	2013 $	2012 $
Accounts Payable & Premium Payable	476,492	28,952
Brokerage & Commission payable	-	28,903
Payable to Reinsurance Company (Note 6)	153,483	7,578,095
Employee Benefit Liabilities	285,000	155,344
Sundry Creditors and Accruals	133,573	130,314
	1,048,548	7,921,608

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 2013 (2012: $Nil).

18. INVESTMENTS

	2013 $	2012 $
Government Stock	524,109	543,278
Auckland City Council Bond	2,093,366	2,155,646
Total Investments	2,617,475	2,698,924

19. INSURANCE FINANCIAL STRENGTH RATING

In 2013, China Taiping Insurance (NZ) Co., Ltd has been granted an exemption from the Reserve Bank of New Zealand to have a current financial strength and credit rating given by an approved rating agency. In 2012, the Company had 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. UNEARNED PREMIUM RESERVE

2013	Gross $	Reinsurance $	Net $
As at 1 January	1,676,117	(1,018,955)	657,162
Premium Refund	(80,962)	(357,241)	(438,203)
Earnings of Premium Written	(1,595,155)	1,376,196	(218,959)
Movement in Unearned Premium	(1,676,117)	1,018,955	(657,162)
As at 31 December	-	-	-

2012	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

21. OUTSTANDING CLAIMS LIABILITIES

	2013 $	2012 $
Gross Central Estimate	7,552,265	14,140,148
Claims Handling Costs	64,000	79,000
Risk Margin	680,000	1,261,000
Gross Claims Provisions	8,296,265	15,480,148
Estimate of Expected Future Payments for Claims Including:		
Reported Claims	6,691,252	13,757,148
Indirect Claims Settlement Costs	-	100,000
Incurred But Not Reported	1,605,013	1,623,000
	8,296,265	15,480,148

Refer to Note 28 for assumptions used in the valuation of the above claims provisions.

22. OPERATING LEASE OBLIGATIONS

No obligations payable after balance date on non-cancellable operating leases in 2013 (2012: nil).

23. REINSURANCE AND OTHER RECOVERIES RECEIVABLE

	2013 $	2012 $
Reinsurance Recovery Receivable (Note 6)	2,424,448	10,354,434
Other Recovery Receivable	217,394	186,055
Outstanding Claims Recovery Receivable	6,140,093	12,330,553
IBNR Claims Recovery Receivable	1,448,119	1,281,000
	10,230,054	24,152,042

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.

24. LIABILITY ADEQUACY TEST

The liability adequacy test carried out on the portfolios in the current year, in accordance with NZ IFRS 4 did not identify a deficiency since the Company ceased offering insurance from 1 August 2012. (2012: $496,030 deficiency).

25. INSURANCE RISK AND REINSURANCE PROGRAMME

The Company has an objective to control insurance risk thus minimising substantial unexpected losses that would expose the Company to an adverse financial capital loss. The Company has entered into a reinsurance program that 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.

The Company operates in the general insurance market in New Zealand and underwrites policies that mainly cover properties and motor vehicles. The Company ceased renewing expired policies and stopped underwriting new policies from 1 August 2012. The Company has strict processes to assess all new and ongoing claims and actively managed and pursued claims to reduce the risk exposure of the Company. Reinsurance arrangements are entered into with reinsurers with credit ratings no lower than A-.

26 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. As at 31 December 2013, the Company has a solvency margin of $2,353,471 (2012: $1,491,262). The methodology and bases for determining the Solvency Margin are in accordance with the requirements of the Solvency Standard for Non-life insurance Business in Run-of published by the Reserve Bank of New Zealand.

27. SUNDRY INCOME

	2013 $	2012 $
Foreign Exchange Profit/(Loss)	(100)	1,113
Reversal of Unused Accrual	-	149,112
Intercompany Receipts	-	214,221
Bad Debt Recovered	85,030	30,000
Total Sundry Income	84,930	394,446

28. ACTUARIAL INFORMATION

The outstanding claims and unexpired risk liability were determined by the Company's actuary and reviewed by the appointed actuary, Christine Ormrod from the actuarial team at PricewaterhouseCoppers New Zealand.

Report Date: 19 February 2014

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. The appointed actuary was satisfied as at the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability.

Unexpired Risk Liability

The unearned premium liability is zero as at 31 December 2013 as the Company ceases offering insurance from 1 August 2012.

(a) Assumptions for Outstanding Claims Provision

	Property	Motor
Inflation Rate	0%	0%
Superimposed Inflation Rate	0%	0%
Discount rate	0%	0%
Discounted Mean Term (years)	0.7	0.1
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. Given the short expected term of the liabilities, there is no explicit allowance for superimposed inflation but it has been taken into consideration in setting the risk margin.

Discount Rate
The large majority of the claims are expected to be paid within a year and there is no allowance for discounting. The average weighted expected term to settlement is 0.7 years.

Claims Handling Expenses
The Company is responsible for the ongoing management of all claims incurred on or before 31 December 2013. 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.

Claim handling expenses have been determined on the basis that the Company is an ongoing entity and the allowance is taken 10% of net future payments for claims incurred. The assumption last year was 5%.

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 2013. 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.

The risk margin is calculated to bring the claim reserve to 75% confidence level. The resulting risk margin is 6% for motor and 9% of unpaid losses for property.

(c) Sensitivity Analysis

The impact of change in key assumptions on liability for outstanding claims are shown in the table below. For example, an increase in claims handling expenses by 1% will increase the net outstanding claims liability by $6,000 and increase net deficit by $5,000.

Sensitivity Analysis (Impact on Liability for Outstanding Claims NZ$K)				
	Change	**Gross**	**Net**	**Impact on Profit/Loss equity**
Claims Handling Expenses	+1%	6	6	+5
Claims Handling Expenses	-1%	-6	-6	-5
Reopened Claims	+0.5%	181	+2	-2
Reopened Claims	-0.5%	-181	-2	+2
Risk Margin	+1%	+91	+7	-6
Risk Margin	-1%	-91	-7	+6

29. TAXATION

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

	2013 $	2012 $
Loss Before Income Tax Expense	(627,224)	(388,639)
Income Tax Calculated At 28%	(175,623)	(108,818)
Non Deductible Items	2,756	5,163
Deferred Tax Increase not Recognized	(107,686)	(49,701)
Utilization of Brought Forward Tax Losses	-	-
Tax Loss not Recognized For Accounting	280,553	153,356
Income Tax Recognized in Profit And Loss	-	-

As at 31 December 2013, the Company has unrecognised deferred tax assets arising from temporary differences of $68,079 (2012: $173,466) and unrecognised deferred tax assets on tax losses of $509,785 (2012: $229,233). Deferred tax assets are not recognised as the Company does not anticipate to generate sufficient taxable profit in the future to allow these deferred tax assets to be utilized.

As at 31 December 2013 the Company has $115,537 imputation credits (2012: $92,609).

30. 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 maximise 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) 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 Stock ($524,109) and Auckland City Council Bond ($2,093,366) is stated at fair value. Fair value is calculated by reference to the market yield as at year end and considered to be "Level 1" where fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

d) 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.

e) Interest Rate Risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's investment in Government Stock and Auckland City Council Bond is exposed to interest rate risk.

A change in interest rates (yield) affects the price (fair value) that the Company would receive upon the sale of the investments. The fair value is arrived at by discounting the cash flows arising from a financial instrument at the market yield and recognising the change in profit or loss. A 0.5% increase in interest rates would increase the deficit at 31 December 2013 by $17,252 (2012: $27,706). A 0.5% decrease in interest rates would decrease the deficit by $13,490 (2012: $28,076).

f) 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.

The maximum exposure to credit risk on receivables at reporting date is the carrying amount on the Statement of Financial Position. The Reinsurance receivables are spread among four reinsurers who has an AM Best credit rating of A- or better.

g) Categories of Financial Assets and Financial Liabilities

As at 31 December 2013	Loans and Receivable $	Financial Assets at Fair Value through Profit or Loss $	Financial Liabilities at Amortized Cost $	Total $
Assets				
Cash and Cash Equivalents	2,293,396	-	-	2,293,396
Trade and Other Receivables	82,521			82,521
Intercompany Receivables	466	-	-	466
Investment in Bond	-	2,617,475	-	2,617,475
Total financial assets	2,376,383	2,617,475	-	4,993,858
Non-financial Assets				10,758,798
Total assets				15,752,656
Liabilities				
Trade and Other Payables	-	-	1,048,548	1,048,548
Total financial liabilities	-	-	1,048,548	1,048,548
Non-financial liabilities				8,296,265
Total liabilities				9,344,813

As at 31 December 2012	Loans and Receivable $	Financial Assets at Fair Value through Profit or Loss $	Financial Liabilities at Amortized Cost $	Total $
Assets				
Cash and Cash Equivalents	3,991,729	-	-	3,991,729
Trade and Other Receivables	123,028	-	-	123,028
Intercompany Receivables	1,056	-	-	1,056
Investment in Term Deposit	-	-	-	-
Investment in Bond	-	2,698,924	-	2,698,924
Total Financial Assets	4,115,813	2,698,924	-	6,814,737
Non-financial Assets				25,693,203
Total Assets				32,507,940
Liabilities				
Trade and Other Payables	-	-	7,921,608	7,921,608
Total Financial Liabilities	-	-	7,921,608	7,921,608
Non-financial Liabilities				17,551,265
Total Liabilities				25,472,873

h) 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 resets 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 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
2013					
Outstanding Claims Liabilities	0	8,296,265	-	-	8,296,265
Financial Liabilities					
Non-interest Bearing Payables	0	1,048,548	-	-	1,048,548
		9,344,813	-	-	9,344,813

	Weighted Average Interest Rate %	Less than 1 year	1-5 years	5+years	Total
2012					
Outstanding Claims Liabilities	0	2,439,216	13,040,932	-	15,480,148
Financial Liabilities					
Non-interest Bearing Payables	0	7,921,608	-	-	7,921,608
		10,360,824	13,040,932	-	23,401,756

i) 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 liabilites. 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
2013					
Non Interest Bearing					
Cash	0	2,293,396	-	-	2,293,396
Trade Debtors	0	82,521	-	-	82,521
Fixed Interest Rate Instruments					
Short Term Deposits		-	-	-	-
Government Bonds/Others	6.14	155,600	2,540,150	-	2,695,750
		2,531,517	2,540,150	-	5,071,667

i) Market Risk (Continued)

	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
Fixed Interest Rate Instruments					
Short Term Deposits	5.12	-	-	-	-
Government Bonds/Others	6.14	155,600	2,695,750		2,851,350
		4,270,357	2,695,750	-	6,966,107

31. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

	2013	2012
	$	$
Net profit/(loss) after tax	(627,224)	(388,637)
Add/(less) Items Classified as Investing Activities	(1,148)	-
Add/(less) Non-cash items:		
Depreciation, Amortisation and Loss on Sale	16,328	22,502
Unrealised loss on investment movement	81,449	44,938
Movement in unearned reinsurance premium	1,018,955	2,257,141
Movement in provision for unearned premiums	(1,676,117)	(4,552,800)
Movement in unexpired risk liability	(395,000)	395,000
Add/(less) movement in working capital:		
(Increase)/Decrease in Trade and other receivables	40,507	4,700,328
(Increase)/Decrease in Tax Receivable	(22,930)	157,294
(Increase)/Decrease in Intercompany Receivables	590	10,316
(Increase)/Decrease in Reinsurance and Other Recoveries Claimed	13,921,988	7,597,359
Increase/(Decrease) in Trade and Other Payables	(6,873,060)	(920,556)
Increase/(Decrease) in Outstanding Claims Liability	(7,183,883)	(9,224,852)
Net cash flow from operating activities	(1,699,545)	98,033

32. NET CLAIMS INCCURRED

2013	Current Year	Prior Years	Total
	$	$	$
Direct Claims Expenses	1,839,230	2,276,629	4,115,859
Reinsurance and Other Recoveries Revenue	(1,375,526)	(2,924,610)	(4,300,136)
Net Claims Incurred	463,704	(647,981)	(184,277)

2012	Current Year	Prior Years	Total
	$	$	$
Direct Claims Expenses	2,714,618	3,192,587	5,907,205
Reinsurance and Other Recoveries Revenue	(1,339,067)	(3,022,008)	(4,361,075)
Net Claims Incurred	1,375,552	170,578	1,546,130

33. CONTINGENT LIABILITIES

As at 31st December 2013, there were no contingent liabilities existing at balance date (2012: $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

15 May 2014

Appointed actuary's review of actuarial information for China Taiping Insurance (NZ) Co., Limited

Dear Richard

This letter has been prepared for China Taiping Insurance (NZ) Co., Limited (CTPI) to meet 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 2013:

Item	Amount
Gross outstanding claims liability	$8,296,265
Reinsurance on outstanding claims liability	$7,588,212
Net outstanding claims liability	$708,053
Provision for unearned premium	$0
Unexpired risk reserve	$0

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) Co., Limited and is provided in accordance with the terms set out in our engagement letter dated 12 November 2013.

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) Co., 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**

Christine Ormrod FNZSA
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