



CHINA TAIPING INSURANCE (NZ) CO., LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

CHINA TAIPING INSURANCE (NZ) CO., LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS

	<u>PAGE</u>
Directors' Report	2
Auditors' Report	3
Statement of Profit and Loss and Other Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Financial Position	6
Statement of Cash Flow	7
Notes to Financial Statements	8-30

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 2015 to shareholders and other interested parties.

RESULT: The Loss of China Taiping Insurance (N Z) Co., Limited for the year before tax was -\$939,907 (2014: -\$911,165).

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.

<u>APPROPRIATIONS:</u>	Loss Attributable to Shareholders	\$ (939,907)
	Accumulated Loss Brought Forward	(3,530,350)
		<hr/>
	Accumulated Loss Carried Forward	\$ (4,470,257)
		<hr/>

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 2015.

ON BEHALF OF THE BOARD

X  Director

 Date

 Director

 Date



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

Report on the Financial Statements

We have audited the accompanying financial statements of China Taiping Insurance (NZ) Co., Limited on pages 4 to 30, which comprise the statement of financial position as at 31 December 2015, and the statement of profit and 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. 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 and fair presentation of these financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, 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 and fair presentation of the financial statements 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 audit related assurance services, we have no relationship with or interests in China Taiping Insurance (NZ) Co., Limited. These services have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, China Taiping Insurance (NZ) Co., Limited.

Opinion

In our opinion, the financial statements on pages 4 to 30 present fairly, in all material respects, the financial position of China Taiping Insurance (NZ) Co., Limited as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.

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 statements have been prepared on other than a going concern basis and in accordance with the accounting policies outlined in Note 1.

Chartered Accountants
28 April 2016
Auckland, New Zealand

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 \$	2014 \$
Outward Reinsurance Premium Release	11	5,785	119,678
Net Premium Revenue		<u>5,785</u>	<u>119,678</u>
Direct Claims Expenses (Reversal)		(675,613)	911,862
Reinsurance and Other Recoveries Reversal (Revenue)		615,785	(951,206)
Net Incurred but Not Reported Movement		(75,191)	(48,401)
Net Claims Incurred	31	<u>(135,019)</u>	<u>(87,745)</u>
Acquisition Costs		-	-
Underwriting Expenses	12	1,190,923	1,410,840
Premium Deficiency		-	-
Net Underwriting Expenses		<u>1,190,923</u>	<u>1,410,840</u>
Underwriting Loss		(1,050,119)	(1,203,417)
Gain/(Loss) on Revaluation of Financial Assets		(54,886)	(62,589)
Investment Revenue	8	164,407	236,419
Sundry Income	26	691	118,422
Loss Before Income Tax Expense		(939,907)	(911,165)
Income Tax Expense	28	-	-
Loss Attributable to Shareholders		(939,907)	(911,165)
Total Comprehensive Loss for the year		<u>(939,907)</u>	<u>(911,165)</u>

The attached notes on pages 8 to 30 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 2015

	Notes	Share Capital \$	Accumulated Deficit \$	Total \$
Balance as at 1 January 2014		9,027,028	(2,619,185)	6,407,843
Loss and Total Comprehensive Loss for the year			(911,165)	(911,165)
Balance as at 31 December 2014		<u>9,027,028</u>	<u>(3,530,350)</u>	<u>5,496,678</u>
Loss and Total Comprehensive Loss for the year			(939,907)	(939,907)
Balance as at 31 December 2015		<u>9,027,028</u>	<u>(4,470,257)</u>	<u>4,556,771</u>

The attached notes on pages 8 to 30 form part of and should be read in conjunction with these financial statements.

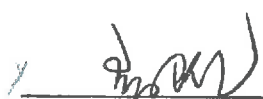
CHINA TAIPING INSURANCE (NZ) CO., LIMITED

STATEMENT OF FINANCIAL POSITION

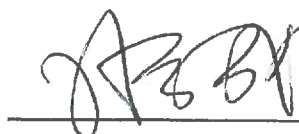
AS AT 31 DECEMBER 2015

	Notes	2015 \$	2014 \$
Assets			
Cash and Cash Equivalents		2,883,435	3,138,405
Trade and Other Receivables	13	256,209	56,154
Intercompany Receivables	6	3,702	-
Unearned Reinsurance Premium	20	-	-
Investment	18	-	2,554,886
Reinsurance and Other Recoveries Receivable	23	2,339,126	5,083,083
Tax Receivable		120,825	131,163
Intangibles	15	102	231
Property, Plant & Equipment	14	171,370	177,752
Total Assets		5,774,769	11,141,674
Liabilities			
Trade and Other Payables	16	109,916	158,608
Outstanding Claims Liability	21	875,082	5,091,388
Provisions for Employee Entitlements		233,000	395,000
Provision for Unearned Premium	20	-	-
Unexpired Risk Liability	27	-	-
Total Liabilities		1,217,998	5,644,996
Net Assets		4,556,771	5,496,678
Accumulated Deficit	10	(4,470,257)	(3,530,350)
Share Capital	9	9,027,028	9,027,028
Total Equity		4,556,771	5,496,678

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

 Director

 Date

 Director

 Date

The attached notes on pages 8 to 30 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 2015

		2015 \$	2014 \$
<u>Cash Flow From Operating Activities</u>	Notes		
Cash Was Provided From:			
Premium Received		-	-
Reinsurance Recoveries		1,460,570	5,916,023
Third Party Recoveries		102,528	15,291
Investment Income Received		203,325	192,679
GST Refund		253,401	487,293
Income Tax Refund		67,395	50,327
Others Received		-	-
		<u>2,087,219</u>	<u>6,661,613</u>
Cash Was Disbursed to:			
Claims Paid		(3,350,089)	(4,563,792)
Reinsurance Paid		4,457	(65,514)
Taxes Paid		(12,562)	(152,601)
Payment to Suppliers and Employees		(1,483,995)	(1,241,245)
Others Paid		-	(152,355)
		<u>(4,842,189)</u>	<u>(6,175,507)</u>
Net Cash Inflow (Outflow) From Operating Activities	30	<u>(2,754,970)</u>	<u>486,106</u>
<u>Cash Flow From Investing Activities</u>			
Cash Was Provided From:			
Proceeds from Sale of Property, Plant & Equipment		-	358,903
Proceeds from Sale of Investments		2,500,000	-
		<u>2,500,000</u>	<u>358,903</u>
Cash Was Provided To:			
Purchase of Property, Plant & Equipment		-	-
Purchase of Investments		-	-
		<u>-</u>	<u>-</u>
Net Cash Inflow (Outflow) From Investing Activities		<u>2,500,000</u>	<u>358,903</u>
<u>Cash Flow From Financing Activities</u>			
Cash Was Provided From:			
Capital Issued to Shareholders		-	-
		<u>-</u>	<u>-</u>
Net Cash Inflow (Outflow) From Financing Activities		<u>-</u>	<u>-</u>
Net Increase/ (Decrease) in Cash Held		(254,970)	845,009
Cash and Cash Equivalents at The Beginning of Year		3,138,405	2,293,396
Cash and Cash Equivalents at The End of Year		<u>2,883,435</u>	<u>3,138,405</u>
Comprising:			
Bank		<u>2,883,435</u>	<u>3,138,405</u>

The attached notes on pages 8 to 30 form part of and should be read in conjunction with these financial statements.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

The Company is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Company have been prepared in accordance with the requirements of Financial Markets Conduct Act 2013.

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').

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.



CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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.

Net Claims Incurred

Direct claims expense represents paid claims in the period less settled reported claim provisions.

Reinsurance and other recoveries revenue represents reinsurance received in the period less settled outstanding recovery receivable.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

e) 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.

f) 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 amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities 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 liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current tax and deferred 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.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

g) 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 included as a receivable or payable in the balance sheet.

h) Operating Leases

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

i) 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.

j) Outwards Reinsurance

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

k) 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.

l) 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.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

m) 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.

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.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

n) 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.

o) Comparatives

Changes in comparative disclosures have been made to conform to the current year format of disclosure. These changes are not deemed to be significant for the readers of the financial statements.

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 takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

b) IBNR/IBNER/Re-opened Claims

There is no allowance for incurred but not reported (IBNR), incurred but not enough reported (IBNER) or re-opened claims in the central estimate, as there are assumed to be no future reportings of claims and no future movement in existing claim estimates

c) 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.

d) Discount Rate

All claims are expected to be paid within a year and there is no allowance for discounting.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION (Continued)

e) Claims Handling Expenses

\$33,000 has been allowed for future claim handling expenses.

f) Risk Margin

A risk margin at a 75% level of sufficiency has been used to determine the outstanding claims liability as at 31 December 2015 (2014 75%)

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 (2014 9%).

There is no allowance for diversification.

g) 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.

h) Bonus Provision

The actual bonus amount to be paid out in relation to the financial year is dictated by our Parent Company and will be communicated in the second quarter of the subsequent financial year. Therefore bonuses are a key estimate at year end and are provided for at the rate at which management expects to settle the liability.

3. IMPACT OF AMENDMENTS TO NZ IFRS

Standards and Interpretations in issue not yet adopted

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

Directors expect to adopt the Standards and Interpretations in the period in which they become mandatory. The directors anticipate that the Standards and Interpretations will have no material impact on the financial statements of the Company, either because the Company will be wound up before the mandatory effective date, or the impact is not significant.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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.

	<u>2015</u>	<u>2014</u>
	\$	\$
Short-term Employee Benefits	784,915	779,418
Post-employment Benefits and Retiring Allowances	-	-
Remuneration of Key Management Personnel	<u>784,915</u>	<u>779,418</u>

Related Party Transactions

- (i) China Taiping Insurance Group (HK) Company Limited can provide management services to the Company. No management fee was charged this year (2014: \$0).
- (ii) China Taiping Insurance Group Co. training centre can provide training to the Company. No training fee was charged this year (2014: \$0).
- (iii) No Reinsurance inwards from Taiping Reinsurance Company Limited was accrued for this year (2014: \$0).
- (iv) Taiping Reinsurance Brokers Ltd. was acting as reinsurance agent for the Company. All reinsurance outwards/inwards issues were dealt through this activity. Reinsurance recovery was \$2,789,445 this year (2014: \$2,768,157). The majority of this recovery relates to the Earthquake for the 2010 and 2011. A \$59,526.08 refunded to Reinsurer this year for Profit Commission for Underwriting Year 2008 (2014: \$0).



CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

6. RELATED PARTY TRANSACTIONS (Continued)

Related Party Balances:

	<u>2015</u> \$	<u>2014</u> \$
Intercompany Receivable		
- Taiping Reinsurance Co., Ltd.	-	-
Intercompany Payable		
- China Taiping Insurance Group (HK) Company Limited	-	-
Reinsurance Recovery Receivable		
- Taiping Reinsurance Brokers Ltd.	1,490,170	160,310
Reinsurance Account Payable		
- Taiping Reinsurance Brokers Ltd.	-	342

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.

8. INVESTMENT REVENUE

	<u>2015</u> \$	<u>2014</u> \$
Investment Revenue Comprises:		
Interest on Government Stock	37,191	155,600
Interest on Cash Account	127,216	80,819
	<u>164,407</u>	<u>236,419</u>

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

9. SHARE CAPITAL

	<u>2015</u>	<u>2014</u>
	\$	\$
Opening Balance	9,027,028	9,027,028
Issued Share Capital	-	-
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>2015</u>	<u>2014</u>
	\$	\$
Opening Balance	(3,530,350)	(2,619,185)
Loss and Total Comprehensive Loss for The Year	(939,907)	(911,165)
Closing Balance	<u>(4,470,257)</u>	<u>(3,530,350)</u>

11. OUTWARD REINSURANCE PREMIUM EXPENSE

	<u>2015</u>	<u>2014</u>
	\$	\$
Reinsurance Premiums Written	2,716	-
Reinsurance Commissions	(8,501)	-
Reinsurance Provisions Released	-	(119,678)
	<u>(5,785)</u>	<u>(119,678)</u>

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

12. EXPENSES

Expenses are made up of:

	<u>2015</u>	<u>2014</u>
	\$	\$
Employee Salary Expenses	959,310	1,138,117
Defined Contribution Plans-Kiwi Saver	5,576	7,110
Employee Benefits-Medical Insurance	6,827	8,251
Employee Redundancy Expenses	10,151	8,913
Operating Lease Expenses	7,176	10,717
(Gain)/Loss on Sale of Fixed Assets	-	503
Advertising and Marketing	-	240
Depreciation and Amortization	6,511	9,383
Travel Expenses	14,061	5,025
Other Expenses	181,311	222,581
	<u>1,190,923</u>	<u>1,410,840</u>

Included in the above are following expenses:

	<u>2015</u>	<u>2014</u>
	\$	\$
Depreciation and Amortisation Expenses Included:		
Depreciation: Motor Vehicles	1,113	1,773
Buildings	3,424	4,338
Office Furniture & Equipment	1,082	1,348
Computer Hardware	763	1,625
Amortization of Software	129	299

Auditor Remuneration:

Audit Fee for Audit of Financial Statements	54,600	68,964
Tax Advice Services and Tax Return Services	-	3,780
Solvency Return(audit-related assurance service)	3,675	3,150

Employee Benefits Expenses:

Staff Salary	666,860	638,295
Staff Bonus	255,551	405,194
Staff Annual Leave Provision	13,157	75,000
Medical Insurance	6,827	8,251
Staff Redundancy Fee	10,151	8,913
Superannuation	23,742	19,629

13. TRADE AND OTHER RECEIVABLES

	<u>2015</u>	<u>2014</u>
	\$	\$
GST Receivable	227,819	-
Sundry Debtors	28,390	56,154
	<u>256,209</u>	<u>56,154</u>

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Land	Office Furniture and Office Equipment	Computer Hardware	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$
2015						
Cost:						
At 1 January	180,902	98,000	81,884	121,505	100,337	582,628
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December	180,902	98,000	81,884	121,505	100,337	582,628
Accumulated Depreciation:						
At 1 January	112,919	-	74,674	120,035	97,248	404,876
Depreciation Charged	3,424	-	1,082	763	1,113	6,382
Disposals	-	-	-	-	-	-
At 31 December	116,343	-	75,756	120,798	98,360	411,258
At 31 December						
At Cost	180,902	98,000	81,884	121,505	100,337	582,628
Accumulated Depreciation	116,343	-	75,756	120,798	98,360	411,258
Net Book Value	64,559	98,000	6,128	707	1,977	171,370
2014						
Cost:						
At 1 January	390,181	228,643	87,986	121,505	109,657	937,972
Additions	-	-	-	-	-	-
Disposals	(209,279)	(130,643)	(6,102)	-	(9,320)	(355,344)
At 31 December	180,902	98,000	81,884	121,505	100,337	582,628
Accumulated Depreciation:						
At 1 January	224,320	-	78,925	118,410	103,642	525,297
Depreciation Charged	4,338	-	1,348	1,625	1,773	9,084
Disposals	(115,739)	-	(5,599)	-	(8,167)	(129,505)
At 31 December	112,919	-	74,674	120,035	97,248	404,876
At 31 December						
At Cost	180,902	98,000	81,884	121,505	100,337	582,628
Accumulated Depreciation	112,919	-	74,674	120,035	97,248	404,876
Net Book Value	67,983	98,000	7,210	1,470	3,089	177,752

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

15. INTANGIBLES

	Computer Software	Total
	\$	\$
2015		
Cost:		
At 1 January	49,517	49,517
Additions	-	-
Disposals	-	-
At 31 December	49,517	49,517
Accumulated Depreciation:		
At 1 January	49,286	49,286
Depreciation Charged	129	129
Disposals	-	-
At 31 December	49,415	49,415
At 31 December		
At Cost	49,517	49,517
Accumulated Depreciation	49,415	49,415
Net Book Value	102	102
2014		
Cost:		
At 1 January	49,517	49,517
Additions	-	-
Disposals	-	-
At 31 December	49,517	49,517
Accumulated Depreciation:		
At 1 January	48,987	48,987
Depreciation Charged	299	299
Disposals	-	-
At 31 December	49,286	49,286
At 31 December		
At Cost	49,517	49,517
Accumulated Depreciation	49,286	49,286
Net Book Value	231	231

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

16. TRADE AND OTHER PAYABLES

	<u>2015</u>	<u>2014</u>
	\$	\$
Accounts Payable & Premium Payable	5,484	5,484
Payable to Reinsurance Company (note 6)	-	342
Brokerage & Commission Payable	-	-
Sundry Creditors and Accruals	104,432	152,782
	<u>109,916</u>	<u>158,608</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 2015 (2014: \$Nil).

18. INVESTMENTS

	<u>2015</u>	<u>2014</u>
	\$	\$
Government Stock	-	509,813
Auckland City Council Bond	-	2,045,073
Total Investments	<u>-</u>	<u>2,554,886</u>

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.

CHINA TAIPING INSURANCE ((NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

20. UNEARNED PREMIUM RESERVE

<u>2015</u>	Gross \$	Reinsurance \$	Net \$
As at 1 January	-	-	-
Premium Refund	-	-	-
Earnings of Premium Written	-	-	-
Movement in Unearned Premium	-	-	-
As at 31 December	-	-	-

<u>2014</u>	Gross \$	Reinsurance \$	Net \$
As at 1 January	-	-	-
Premium Refund	-	-	-
Earnings of Premium Written	-	-	-
Movement in Unearned Premium	-	-	-
As at 31 December	-	-	-

21. OUTSTANDING CLAIMS LIABILITIES

	<u>2015</u> \$	<u>2014</u> \$
Gross Central Estimate	841,781	4,579,388
Claims Handling Costs	33,000	100,000
Risk Margin	301	412,000
Gross Claims Provisions	<u>875,082</u>	<u>5,091,388</u>
Estimate of Expected Future Payments for Claims Including:		
Reported Claims	841,781	4,418,503
Incurred But Not Reported	33,301	672,885
	<u>875,082</u>	<u>5,091,388</u>

The Company endeavours to settle outstanding claims liabilities within one year. However, payments of these claims requires individual counterparty acceptance relating to terms.

Refer to Note 27 for assumptions used in the valuation of the above claims provisions.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

22. OPERATING LEASE OBLIGATIONS

No obligations payable after balance date on non-cancellable operating leases in 2015 (2014: NIL).

23. REINSURANCE AND OTHER RECOVERIES RECEIVABLE

	<u>2015</u>	<u>2014</u>
	\$	\$
Reinsurance Recovery Receivable (Note 6)	1,486,468	160,310
Other Recovery Receivable	14,219	20,727
Outstanding Claims Recovery Receivable	838,439	4,337,654
IBNR Claims Recovery Receivable	-	564,392
	<u>2,339,126</u>	<u>5,083,083</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.

24. 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 pursue claims to reduce the risk exposure of the Company. Reinsurance arrangements are entered into with reinsurers with credit ratings no lower than A-.

25. EQUITY RETAINED FOR THE PURPOSES OF FINANCIAL SOUNDNESS

The Company is required to maintain a minimum solvency capital of at least \$3,000,000 and a solvency margin greater than nil, enabling it the ongoing ability to pay clients. The Company has complied with this and as at December 2014. As at 31 December 2015, the Company has a solvency margin of \$1,556,771 (2014:\$2,496,447). 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-off published by the Reserve Bank of New Zealand.

26. SUNDRY INCOME

	<u>2015</u>	<u>2014</u>
	\$	\$
Foreign Exchange Profit/(Loss)	(1,344)	(53)
Bad Debt Recovered	2,035	-
Disposal of Fixed Asset	-	118,475
Total Sundry Income	<u>691</u>	<u>118,422</u>

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

27. ACTUARIAL INFORMATION

The allowance for IBNR/IBNER/reopened and the basis for the 75% risk margin were determined by the company's actuary and reviewed by the appointed actuary, Christine Ormrod, from the actuarial team at PricewaterhouseCoopers New Zealand.

Report Date: 18 February 2016

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

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

Unexpired Risk Liability

The Company ceased offering insurance from 1 August 2012 and there is no provision for unearned premium and no provision for unearned reinsurance premium.

(a) 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. 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.

Claims Handling Expenses

\$33,000 has been allowed for future claim handling expenses.

IBNR/IBNER/reopened claims

For earthquake and non-earthquake claims, there is no allowance for incurred but not reported (IBNR), incurred but not enough reported (IBNER) or re-opened claims in the central estimate.

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 2015.

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.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

27. ACTUARIAL INFORMATION (Continued)

(b) Sensitivity Analysis

The impact of change in key assumptions on liability for outstanding claims is shown in the table below. For example, an increase in risk margin by 1% will increase the net outstanding claims liability by \$1,000 and increase net deficit by \$1,000.

Sensitivity Analysis (Impact on Liability for Outstanding Claims NZ\$K)				
	Change	Gross	Net	Impact on Profit/Loss equity
Risk Margin	+1%	+46	+1	-1
Risk Margin	-1%	-46	-1	+1

Given the number and quantum of claims, no other sensitivity analyses have been disclosed as it is not considered to have a material impact to the readers of the financial statements

28. TAXATION

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Loss Before Income Tax Expense	(939,907)	(911,165)
Income Tax Calculated At 28%	(263,174)	(255,126)
Non Deductible Items	1,210	1,532
Deferred Tax Increase not Recognized	(45,360)	25,200
Tax Loss not Recognized For Accounting	307,324	228,394
Income Tax Recognized in Profit And Loss	-	-

As at 31 December 2015, the Company has unrecognised deferred tax assets arising from temporary differences of \$76,283 (2014: \$120,685) and unrecognised deferred tax assets on tax losses of \$1,045,504 (2014: \$738,179). Deferred tax assets are not recognised as the Company does not anticipate generating sufficient taxable profit in the future to allow these deferred tax assets to be utilized.

As at 31 December 2015 the Company has \$120,823 imputation credits (2014: \$131,162).



CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

29. 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 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, reinsurance recoverable 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.

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) 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. A portion of 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 other reinsurers that the company deals with have a credit rating of A or above. 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 have an AM Best credit rating of A- or better.

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

f) Categories of Financial Assets and Financial Liabilities

	Loans and Receivable	Financial Assets at Fair Value through Profit or Loss	Financial Liabilities at Amortized Cost	Total
As at 31 December 2015	\$	\$	\$	\$
Assets				
Cash and Cash Equivalents	2,883,435		-	2,883,435
Trade and Other Receivables	28,390			28,390
Intercompany Receivables	3,702	-	-	3,702
Investment in Bond	-	-	-	-
Total	2,915,527	-	-	2,915,527

Liabilities

Trade and Other Payables	-	-	109,916	109,916
Total	-	-	109,916	109,916

	Loans and Receivable	Financial Assets at Fair Value through Profit or Loss	Financial Liabilities at Amortized Cost	Total
As at 31 December 2014	\$	\$	\$	\$
Assets				
Cash and Cash Equivalents	3,138,405		-	3,138,405
Trade and Other Receivables	56,154			56,154
Intercompany Receivables	-	-	-	-
Investment in Bond	-	2,554,886	-	2,554,886
Total	3,194,559	2,554,886	-	5,749,445

Liabilities

Trade and Other Payables	-	-	158,608	158,608
Total	-	-	158,608	158,608

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

g) 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 following tables summarise the maturity profile of the Company's liabilities:

	Weighted Average Interest Rate %	Less than 1 year	1-5 years	5+years	Total
2015					
Outstanding Claims Liabilities	0	875,082	-	-	875,082
Non-interest Bearing Payables	0	342,916	-	-	342,916
		1,217,998	-	-	1,217,998

	Weighted Average Interest Rate %	Less than 1 year	1-5 years	5+years	Total
2014					
Outstanding Claims Liabilities	0	5,091,388	-	-	5,091,388
Non-interest Bearing Payables	0	553,608	-	-	553,608
		5,644,996	-	-	5,644,996

h) 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.

Interest bearing are investment that pay regular, periodic interests

A-non-interest-bearing current liability is category of debt entered on the liabilities side of balance sheet under current liabilities. While a non-interest-bearing current liability is debt, representing a sum of money that the company owes and must pay within one year, it does not require interest payments.

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 when 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
2015					
Non Interest Bearing					
Cash	0	7,214	-	-	7,214
Trade Debtors	0	256,209	-	-	256,209
Fixed Interest Rate Instruments					
Short Term Deposits		-	-	-	-
Government Bonds/Others	6.14	-	-	-	-
		263,423	-	-	263,423

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

h) Market Risk (Continued)

	Weighted Average Interest Rate %	Less than 1 year	1-5 years	5+years	Total
2014					
Non Interest Bearing					
Cash	0	13,684	-	-	13,684
Trade Debtors	0	56,154	-	-	56,154
Fixed Interest Rate Instruments					
Short Term Deposits		-	-	-	-
Government Bonds/Others	6.14	2,540,150	-	-	2,540,150
		<u>2,609,988</u>	<u>-</u>	<u>-</u>	<u>2,609,988</u>

30. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

	2015	2014
	\$	\$
Net (loss) after tax	(939,907)	(911,165)
Add/(less) Items Classified as Investing Activities		(133,064)
Add/(less) Non-cash items:		
Depreciation, Amortisation and Loss on Sale	6,511	9,383
Unrealised loss on Investment Movement	54,886	62,589
Add/(less) movement in working capital:		
(Increase)/Decrease in Trade and other receivables	(200,055)	26,367
(Increase)/Decrease in Tax Receivable	10,339	(15,625)
(Increase)/Decrease in Intercompany Receivables	(3,702)	466
(Increase)/Decrease in Reinsurance and Other Recoveries Claimed	2,743,956	5,146,972
Increase/(Decrease) in Trade and Other Payables	(210,692)	(494,940)
Increase/(Decrease) in Outstanding Claims Liability	<u>(4,216,306)</u>	<u>(3,204,877)</u>
Net cash flow from operating activities	<u>(2,754,970)</u>	<u>486,106</u>

CHINA TAIPING INSURANCE (NZ) CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

31. NET CLAIMS INCURRED

2015	Current Year	Prior Years	Total
	\$	\$	\$
Direct Claims Expenses	-	(675,613)	(675,613)
Reinsurance and Other Recoveries Revenue	-	615,785	615,785
Net Incurred But Not Reported Movement	-	(75,191)	(75,191)
Net Claims Incurred	-	(135,019)	(135,019)

2014	Current Year	Prior Years	Total
	\$	\$	\$
Direct Claims Expenses	336,698	575,164	911,862
Reinsurance and Other Recoveries Revenue	(43,916)	(907,290)	(951,206)
Net Incurred But Not Reported Movement	-	(48,401)	(48,401)
Net Claims Incurred	292,782	(380,527)	(87,745)

The current year figures represent 2015 notified claims which have been incurred, paid and recovered during the year. Any claims and reopened claims for losses incurred in the prior years are reported in the 'prior years' column.

Some claims were settled at amounts below what was originally reserved hence the direct claims expense is negative in the current year and corresponding reinsurance revenue is positive.

32. CONTINGENT LIABILITIES

As at 31st December 2015, there were no contingent liabilities existing at balance date (2014: \$Nil) not otherwise provided for in these financial statements.

33. SUBSEQUENT EVENTS

No subsequent events to note.



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

3 May 2016

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 2015:

Item	Amount
Gross outstanding claims liability	\$875,082
Reinsurance on outstanding claims liability	\$838,439
Net outstanding claims liability	\$36,643
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 15 January 2016.

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.

We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

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

Yours sincerely
for **PricewaterhouseCoopers**



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