Consumer Insurance Services Limited
Audited financial statements
for the year ended 31 March 2012

pwc

Directory

Principal business	Insurance services
Directors	J W Gilks (Chairman) S B Broadhurst (appointed 27 Apr 2011) C M da Silva A A Macfarlane G A Paykel H B Rennie, QC M D Richardson (resigned 27 Apr 2011)
Registered office	31 Highbrook Drive East Tamaki Auckland, New Zealand
Auditors	PricewaterhouseCoopers 188 Quay Street Private Bag 92162 Auckland, New Zealand
Solicitors	Bell Gully 48 Shortland Street Auckland, New Zealand Grove Darlow & Partners Level 10, Tower 1 51-53 Shortland Street Auckland, New Zealand Simpson Grierson 88 Shortland Street Auckland, New Zealand
Bankers	Bank of New Zealand Limited Deloitte Tower 80 Queen Street Auckland, New Zealand
Actuary	Melville Jessup Weaver Level 6, South Canterbury Finance Building 57 Fort Street Auckland, New Zealand
Website address	www.fpf.co.nz

Directors' report

The Board of Directors has pleasure in presenting the financial statements for the year ended 31 March 2012.

With the agreement of its shareholder, the Company has adopted the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of Consumer Insurance Services Limited authorised these financial statements presented on pages 3 to 29 for issue on 27 June 2012.

For and on behalf of the Board.

A A Macfarlane
Managing Director

C M da Silva
Director

27 June 2012

Consumer Insurance Services Limited
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Statement of comprehensive income

For the year ended 31 March 2012

	Notes	**Audited 31/03/12 $'000**	Audited 31/03/11 $'000
Interest and similar income	6	**669**	931
Interest expense and similar charges		**-**	-
Net interest income		**669**	931
Net premium income	7	**11,407**	10,735
Other income	8	**546**	814
Net other income		**11,953**	11,549
Total net income		**12,622**	12,480
Employee benefits expense	9	**(491)**	(539)
Operating expenses	9	**(2,453)**	(2,724)
Acquisition costs		**(3,013)**	(3,465)
Net claims incurred	10	**(2,206)**	(1,760)
Total expenses		**(8,163)**	(8,488)
Profit before income tax		**4,459**	3,992
Income tax expense	12	**(1,248)**	(1,066)
Profit after income tax		**3,211**	2,926
Other comprehensive income after income tax		**-**	-
Total comprehensive income for the year, net of tax		**3,211**	2,926
Total comprehensive income attributable to:			
Equity holders of Consumer Insurance Services Limited		**3,211**	2,926

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 March 2012

	Notes	**Audited 31/03/12 $'000**	Audited 31/03/11 $'000
Assets			
Cash and cash equivalents	13	**260**	152
Financial assets designated at fair value	14	**17,508**	21,245
Receivables	15	**191**	309
Deferred acquisition cost	16	**6,105**	6,580
Other assets	17	**478**	702
Total assets		**24,542**	28,988
Liabilities			
Payables	18	**134**	203
Current tax liabilities	19	**381**	469
Outstanding claims liability	21	**659**	635
Unearned premium liability	22	**12,533**	14,227
Other liabilities	24	**271**	806
Deferred tax liabilities	25	**1,709**	1,842
Total liabilities		**15,687**	18,182
Net assets		**8,855**	10,806
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	**7,500**	7,500
Retained earnings	27	**1,355**	3,306
Total equity		**8,855**	10,806

The above statement of financial position should be read in conjunction with the accompanying notes.

The Board of Directors of Consumer Insurance Services Limited authorised these financial statements presented on pages 3 to 29 for issue on 27 June 2012.

For and on behalf of Board.

A A Macfarlane
Managing Director

C M da Silva
Director

27 June 2012

Statement of changes in equity

For the year ended 31 March 2012

	Notes	Attributable to equity holders of the Company		
		Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 01/04/10		5,000	6,639	11,639
Comprehensive income				
Profit after income tax		-	2,926	2,926
Total comprehensive income		-	2,926	2,926
Transactions with owners				
Dividends	28	-	(6,259)	(6,259)
Issue of share capital	26	2,500	-	2,500
Total transactions with owners		2,500	(6,259)	(3,759)
Balance at 31/03/11 (Audited)		7,500	3,306	10,806
Balance at 01/04/11		7,500	3,306	10,806
Comprehensive income				
Profit after income tax		-	3,211	3,211
Total comprehensive income		-	3,211	3,211
Transactions with owners				
Dividends	28	-	(5,162)	(5,162)
Total transactions with owners		-	(5,162)	(5,162)
Balance at 31/03/12 (Audited)		7,500	1,355	8,855

The above statement of changes in equity should be read in conjunction with the accompanying notes.

1 General information

Consumer Insurance Services Limited ("the Company") is a profit oriented entity providing insurance services in New Zealand. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 31 Highbrook Drive, East Tamaki, Auckland. It is registered under the Companies Act 1993.

These financial statements have been approved for issue by the Board of Directors on 27 June 2012.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

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

These financial statements are for Consumer Insurance Services Limited as a separate legal entity.

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

The Company is a qualifying entity within the Framework of Differential Reporting. The Company qualifies on the basis that it is not publicly accountable and there is no separation between the owners and governing body of Consumer Insurance Services Limited. The Company has taken advantage of all differential reporting concessions available to them except for NZ IAS 18 "Revenue" paragraphs NZ 6.1 and 35(b), and NZ IAS 12 "Income Taxes" with which it has fully complied.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

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

(b) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all financial assets and financial liabilities measured at amortised cost using the effective interest method.

The effective interest method allocates the interest income or interest expense over the life of the contract or when appropriate a shorter period using the effective interest rate. The effective interest rate is the discount rate at which the present value of the future cash flows equals the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate the Company estimates the future cash flows considering all the contractual terms of the contract but does not include future credit losses. The calculation of the effective interest rate includes all fees, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2 Summary of significant accounting policies (continued)

(c) Premium revenue

Premium revenue comprises premiums from direct business.

Premium revenue includes amounts charged to the insured but excludes fire service levies, GST and other amounts collected on behalf of third parties.

Premium revenue is recognised in the statement of comprehensive income when it has been earned. Premium revenue is recognised in the statement of comprehensive income from the attachment date over the period of the contract for direct business.

The proportion of premium received or receivable not earned in the statement of comprehensive income at the reporting date is recognised in the statement of financial position as an unearned premium liability.

(d) Outwards reinsurance

Amounts paid to reinsurers under insurance contracts are recorded as an outwards reinsurance expense and are recognised in the statement of comprehensive income from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk ceded.

(e) Income tax

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate, plus/minus prior years under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(f) Goods and Services Tax (GST)

The financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable from the Inland Revenue. In these circumstances the GST component is recognised as part of the underlying item. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to the Inland Revenue is included within these categories.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies (continued)

(h) Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the statement of comprehensive income in the period in which they arise.

(i) Impairment of financial assets

(i) Assets carried at amortised cost

An assessment is made at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient impairment may be measured on the basis of an instrument's fair value using an observable market price.

(ii) Assets carried at fair value

At each reporting date an assessment is made whether there is objective evidence that a financial asset or group of financial assets is impaired.

(j) Assets backing general insurance liabilities

As part of its investment strategy the Company actively manages its money market deposits and government stock to ensure those investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

2 Summary of significant accounting policies (continued)

The Company has determined that its money market deposits and government stock are held to back general insurance liabilities. These assets are designated at fair value through profit or loss. Initial recognition is at cost in the statement of financial position and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the statement of comprehensive income. The fair value of these assets is recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at the reporting date.

(k) Liability adequacy test

Liability adequacy testing is performed in order to recognise any deficiencies in the statement of comprehensive income arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts. The estimated future claims under current insurance contracts are measured using the present value of the expected cash flows relating to future claims and associated expenses (discounted using a risk free interest rate) plus the additional fair value risk margin to reflect the inherent uncertainty of those estimated cash flows.

Liability adequacy testing is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

(l) Acquisition costs

Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the statement of comprehensive income in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

(m) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The expected future payments are discounted to present value using a risk free rate.

The outstanding claims liability has been determined using the Bornhuetter-Fergusson (incurred claims) methodology (an actuarial method). It has been assumed that future incurred claims patterns for each group of business will continue to follow observed historic patterns.

(n) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR, IBNER and unexpired risk liabilities are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's directors.

2 Summary of significant accounting policies (continued)

(p) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at the reporting date.

(q) Changes in accounting policies

There have been no significant changes in accounting policies during the current year. Accounting policies have been applied on a basis consistent with the prior year.

(r) Prior year comparatives

Prior year comparatives have not been reclassified to conform with current year presentation. The figures and information for the year ended 31 March 2012 take into account actuarial information for the first time.

(s) New and amended standards adopted

The Company has adopted the following new and amended standards as of 1 April 2011:

NZ IAS 24, "Related Party Disclosures (2009)" (effective for annual periods beginning on or after 1 January 2011). The revised standard simplifies some of the disclosure requirements, clarifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The changes arising from NZ IAS 24 have had no material impact on the disclosures in these financial statements.

3 Financial risk management

(a) Liquidity risk

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

31/03/12 Audited	0 to 6 months $'000	7 to 12 months $'000	13 to 24 months $'000	25 to 60 months $'000	Over 60 months $'000	Total $'000
Insurance assets						
Deferred acquisition cost	1,277	1,442	2,085	1,301	-	6,105
	1,277	1,442	2,085	1,301	-	6,105
Insurance liabilities						
Outstanding claims liability	517	82	40	20	-	659
Unearned premium liability	2,621	2,960	4,279	2,673	-	12,533
	3,138	3,042	4,319	2,693	-	13,192

31/03/11 Audited	0 to 6 months $'000	7 to 12 months $'000	13 to 24 months $'000	25 to 60 months $'000	Over 60 months $'000	Total $'000
Insurance assets						
Deferred acquisition cost	1,042	1,073	1,918	2,547	-	6,580
	1,042	1,073	1,918	2,547	-	6,580
Insurance liabilities						
Outstanding claims liability	635	-	-	-	-	635
Unearned premium liability	2,529	2,482	4,203	5,013	-	14,227
	3,164	2,482	4,203	5,013	-	14,862

3 Financial risk management (continued)

(b) Financial instruments by category

Assets as per statement of financial position

	Assets at fair value through profit or loss - designated $'000	Loans and receivables measured at amortised cost $'000	Total $'000
At 31/03/12 (Audited)			
Cash and cash equivalents	-	260	260
Deposits and government stock	17,508	-	17,508
Receivables	-	191	191
Other assets	-	478	478
	17,508	929	18,437
At 31/03/11 (Audited)			
Cash and cash equivalents	-	152	152
Deposits and government stock	21,245	-	21,245
Receivables	-	309	309
Other assets	-	702	702
	21,245	1,163	22,408

Liabilities as per statement of financial position

	Liabilities measured at amortised cost $'000	Total $'000
At 31/03/12 (Audited)		
Payables	121	121
	121	121
At 31/03/11 (Audited)		
Payables	170	170
	170	170

4 Insurance contracts - risk management policies and procedures

The general insurance business of the Company involves a number of non-financial risks. Notes on the policies and procedures employed in managing these risks in the general insurance business are set out below.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The risk management activities include prudent underwriting, pricing, and management of risk, together with claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance of the insurance operations.

The key policies in place to mitigate risk arising from writing general insurance contracts include:

- Comprehensive management information systems and models using historical information to calculate premiums and monitor claims.
- Actuarial models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented policies are followed for underwriting insurance risks.
- Reinsurance was used during the periods reported, to limit the Company's exposure to large single claims and catastrophes. When selecting a reinsurer only those companies that provide high security are considered. In order to assess this rating, information from the public domain or gathered through internal investigations is used. Refer note 4(h).
- The mix of assets invested is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claim payments.
- The diversification of business over four classes of insurance and large numbers of uncorrelated individual risks seeks to reduce variability in loss experience.

(b) Terms and conditions of insurance business

The terms and conditions attached to insurance contracts affect the level of insurance risk accepted by the Company. There are no special terms and conditions in any non standard contracts that have a material impact on the financial statements.

(c) Concentration of insurance risk

While the Company only offers four insurance products (as detailed in note 5), they are offered to a broad spread of consumers across New Zealand, therefore concentration of insurance risk is low.

(d) Development of claims

There is a possibility that changes may occur in the estimate of obligations during a contract period. As claims are typically resolved within one year the change is not expected to be material.

(e) Interest rate risk

None of the financial assets or liabilities arising from insurance or reinsurance contracts entered into by the Company are directly exposed to interest rate risk.

(f) Credit risk

Financial assets and liabilities arising from insurance and reinsurance contracts are stated in the statement of financial position at the amount that best represents the maximum credit risk exposure at the reporting date.

There are no significant concentrations of credit risk.

(g) Insurance company ratings

At 31 March 2012 Consumer Insurance Services Limited had an insurer financial strength rating of "B++" (Stable) and an issuer credit rating of "bbb" (Stable) from AM Best Company Limited. Consumer Insurance Services Limited had the same ratings for the year ended 31 March 2011.

4 Insurance contracts - risk management policies and procedures (continued)

(h) Reinsurance programme

The Company maintained an aggregate excess of loss treaty to 28 April 2011. This limited the Company's exposure to excessive claim levels. Effective from 29 April 2011, Consumer Insurance Services Limited discontinued its reinsurance programme (i.e. ceased its aggregate excess of loss cover which was used to limit the Company's exposure to excessive claim levels). This decision was made by management of the Company due to the high cost of continuing the reinsurance cover in the next financial year. Additionally management considered the probability of large single claims was very low.

(i) Financial soundness

The Company ensures the financial soundness of its operations by: (i) maintaining a strong capital base to safeguard its ability to continue as a going concern and to support the ongoing development of its business and (ii) investing its surplus assets in accordance with Board approved treasury policies to ensure that sufficient liquid funds are available to meet anticipated insurance liabilities.

5 Insurance - assumptions and methods

The Company writes four classes of business: Goods Cover, Payment Protection Cover, Combined Cover (which is a combination of the first two classes) and Extended Warranty Cover. All four classes are short tail in nature meaning that claims are typically settled within one year of being reported. The Company discontinued writing new business for the Extended Warranty Cover in the year ended 31 March 2012. The process for determining the value of outstanding claims liabilities in respect of these four classes is described below.

With all four classes of business, there is not a significant delay between the occurrence of the claim and the claim being reported to the Company. The cost of claims notified to the Company at the reporting date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimated claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Actuarial assumptions

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

	Audited 31/03/12	Audited 31/03/11 *
	All products	All products
Average weighted term to settlement from reporting date	**5.1 months**	N/A
Expense rate	**23.4%**	N/A

** No comparative figures are shown as the year ended 31 March 2012 was the first year, actuarial information was used in these financial statements.*

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

Average weighted term to settlement

The average weighted term to settlement is calculated separately by class of business based on historic settlement patterns.

Assumed loss ratios

The assumed loss ratios were determined by a consideration of observed ultimate loss ratios for earlier loss quarters. This was necessarily a process requiring professional judgement as there was some variation from quarter to quarter due to the relatively small size of the portfolio and different actuaries could legitimately select different assumed loss ratios.

Future incurred claim settlement patterns

The outstanding claims liability has been determined using the Bornhuetter-Fergusson (incurred claims) methodology. It has been assumed that future incurred claims patterns for each group of business will continue to follow observed historic patterns.

Expense rate

Claims handling expenses were calculated by reference to past experience of claims handling costs as a percentage of past payments.

Inflation and discount rates

Insurance costs are subject to inflationary pressures over time. For outstanding claims liabilities the period between the valuation date and the settlement date of most claims is expected to be short, and the valuation implicitly allows for past levels of inflation to continue in the future. Therefore, any increase in costs as a result of inflation is limited. Also due to the short settlement periods the effect of discounting expected future payments is also limited and therefore the estimates are not discounted for the time value of money.

5 Insurance - assumptions and methods (continued)

Sensitivity analysis - insurance contracts

An increase/decrease of 10% in the key variables (average weighted term to settlement, average claim frequency and expense rate) is not expected to have a material impact on the Company's profit or equity.

6 Net interest income

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Interest and similar income		
from financial assets at fair value through profit or loss:		
Government securities	**29**	61
Bank deposits	**673**	890
Fair value gains/(losses) on financial assets	**(33)**	(20)
Net interest income	**669**	931

7 Net premium revenue

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Gross written premiums - direct	**9,731**	13,056
Movement in unearned premiums	**1,690**	(2,158)
Premium revenue	**11,421**	10,898
Outwards reinsurance premiums	**(14)**	(163)
Net premium revenue	**11,407**	10,735

8 Other income

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Warranty income	**546**	814
	546	814

9 Expenses

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Profit before income tax includes the following specific expenses:		
Operating expenses		
Administration costs	**10**	40
Computer	**-**	1
Expense recharged from intermediate parent	**1,758**	1,723
Management fee	**297**	284
Marketing	**220**	464
Occupancy costs	**60**	68
Operational	**54**	57
Other	**218**	236
Other professional fees	**56**	106
Telephone and tolls	**15**	21
Claims handling expenses reclassification *	**(235)**	(276)
Total operating expenses	**2,453**	2,724
Employee benefits		
Pension costs - defined contribution plans	**25**	27
Wages and salaries	**466**	512
Total employee benefits	**491**	539

* Included in "Operating expenses" is the reclassification of claims handling expenses of $235,000 (31 March 2011: $276,000) to net claims incurred.

10 Net claims incurred

	Audited 31/03/12			Audited 31/03/11		
	Current Year $'000	**Prior Years $'000**	**Total $'000**	Current Year $'000	Prior Years $'000	Total $'000
Gross claims expense						
Direct	**1,662**	**551**	**2,213**	1,400	376	1,776
Reinsurance and other recoveries revenue						
Other recoveries revenue	**-**	**(7)**	**(7)**	-	(16)	(16)
Reinsurance revenue	**-**	**-**	**-**	-	-	-
Net claims incurred	**1,662**	**544**	**2,206**	1,400	360	1,760

Current year amounts relate to risks borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

11 Net underwriting result

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Analysis of insurance operating result		
Premium revenue	**11,421**	10,898
Outwards reinsurance premiums	**(14)**	(163)
Net premium revenue	**11,407**	10,735
Gross claims expense	**(2,213)**	(1,776)
Reinsurance and other recoveries revenue	**7**	16
Net claims incurred	**(2,206)**	(1,760)
Acquisition costs	**(3,013)**	(3,465)
Other underwriting expenses	**(646)**	(686)
Expenses	**(3,659)**	(4,151)
Net underwriting result	**5,542**	4,824
Investment income from general insurance business:		
Investment revenue	**669**	931
Investment expenses	**-**	-
Investment income	**669**	931
Operating surplus before income tax from insurance activities	**6,211**	5,755

12 Income tax expense

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
(a) Income tax expense		
Current tax	**1,381**	870
Deferred tax - temporary differences (note 25)	**(133)**	328
Deferred tax - change in tax rate	**-**	(132)
	1,248	1,066
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**4,459**	3,992
Tax at the New Zealand tax rate of 28.0% (31 March 2011: 30.0%)	**1,249**	1,198
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax rate changes *	**-**	(132)
Other	**(1)**	-
Income tax expense	**1,248**	1,066

* On the 1 April 2011 the corporate income tax rate was reduced from 30.0% to 28.0%.

(c) Income tax expense relating to components of other comprehensive income

There was no other comprehensive income (and hence no tax on other comprehensive income) for the year ended 31 March 2012 (31 March 2011: $Nil).

13 Cash and cash equivalents

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Cash at bank and on hand	**260**	152
	260	152

(a) Cash at bank and on hand

For the Company the weighted average interest rate on Cash at bank and on hand was 0.0%. (31 March 2011: 0.0%).

(b) Fair value

The carrying amount for cash and cash equivalents equals its fair value.

14 Financial assets designated at fair value through profit or loss

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Bank deposits	**16,952**	20,201
Government Stock	**556**	1,044
	17,508	21,245

Fair value gains/(losses) on financial assets at fair value through profit or loss are recorded in "Net interest income" in the statement of comprehensive income (note 6).

Deposits and Government stock which the Company has determined are assets which back general insurance liabilities are categorised as a financial asset at fair value through profit or loss. See note 2 (j).

15 Receivables

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Net related party receivables		
Related party receivables (note 31(c)(i))	**191**	309
Allowance for impairment	**-**	-
	191	309

16 Deferred acquisition costs

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Deferred acquisition costs as at 1 April	**6,580**	5,488
Acquisition cost deferred	**2,538**	4,557
Amortisation charged to statement of comprehensive income	**(3,013)**	(3,465)
Deferred acquisition costs as at 31 March	**6,105**	6,580

17 Other assets

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Dealer debtors and sundry debtors	**478**	702
	478	702

18 Payables

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Trade payables	**121**	170
Goods and Services Tax	**13**	33
	134	203

19 Current tax liabilities

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Current income tax liabilities	**381**	469
Adjustment recognised in current period for current tax of prior periods	**-**	-
	381	469

20 Imputation credits

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Balances		
Imputation credit account	-	-
	-	-
Movements		
Imputation credit account		
Balance at 1 April	-	-
Tax payments, net of refunds	-	382
Transfers to Fisher & Paykel Appliances Holdings Limited imputation group	-	(382)
Balance at 31 March	-	-

The Company is part of the Fisher & Paykel Appliances Holdings Limited imputation group.

21 Outstanding claims liability

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
(a) Outstanding claims liability		
Central estimate	**498**	485
Discount to present value	**(6)**	-
	492	485
Claims handling costs	**104**	67
	596	552
Risk margin	**63**	83
Gross outstanding claims liability	**659**	635
Gross claims incurred - undiscounted	**665**	635

(b) Risk Margin

Process for determining risk margin

The overall risk margins for both outstanding claims and liability adequacy testing have been determined using stochastic techniques allowing for diversification and having regard to the inherent variation observed in historical claims development. The risk margins for the portfolio are applied to the central estimates in order to arrive at an overall net provision that is intended to provide a probability of sufficiency of either 75% or 85%.

	Audited 31/03/12 %	Audited 31/03/11 %
Risk margin applied		
Overall risk margin	**12.9**	15.0

(c) Reconciliation of movement in outstanding claims liability

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Balance at 1 April	**635**	778
Incurred claims recognised in the statement of comprehensive income	**2,206**	1,760
Claim payments / recoveries during the year	**(2,182)**	(1,903)
Balance at 31 March	**659**	635

(d) Claims development tables

Claims development tables have not been provided as claims are typically resolved within one year.

22 Unearned premium liability

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Unearned premium liability as at 1 April	**14,227**	12,069
Deferral of premiums on contracts written in the period	**2,557**	7,323
Earning of premiums written in previous periods	**(4,251)**	(5,165)
Unearned premium liability as at 31 March	**12,533**	14,227

23 Liability adequacy test

The liability adequacy test has identified a surplus for each portfolio of contracts that are subject to broadly similar risks that are managed together as a single portfolio.

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Calculation of surplus		
Unearned premium liability	**12,533**	14,227
Related intangible asset	**-**	-
Related deferred acquisition costs	**(6,105)**	(6,580)
	6,428	7,647
Central estimate of present value of expected future cash flows arising from future claims on contracts issued	**2,424**	2,332
Risk Margin 12.9% (31 March 2011: 15.0%)	**313**	351
	2,737	2,683
Net surplus	**3,691**	4,964

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for is discussed in note 21(b). As with outstanding claims, the overall risk margin is intended to achieve an 80% probability of adequacy.

24 Other liabilities

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Unearned warranty commissions	**271**	806
	271	806

25 Deferred tax liabilities

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
The balance comprises temporary differences attributable to:		
Deferred acquisition costs	1,709	1,842
Net deferred tax liabilities	1,709	1,842
Movements:		
Balance at 1 April	**1,842**	1,646
Charged/(credited) to the statement of comprehensive income (note 12)	**(133)**	328
Change in tax rate	-	(132)
Balance at 31 March	1,709	1,842

Deferred tax has been recognised at 28.0% for 31 March 2012 (31 March 2011: 28.0%).

26 Share capital

	Audited 31/03/12 Shares 000's	Audited 31/03/11 Shares 000's	**Audited 31/03/12 $'000**	Audited 31/03/11 $'000
(a) Share capital				
Ordinary shares				
Fully paid	7,500	7,500	7,500	7,500
Total share capital			7,500	7,500

(b) Movements in ordinary share capital

	Audited 31/03/12 Shares 000's	Audited 31/03/11 Shares 000's	**Audited 31/03/12 $'000**	Audited 31/03/11 $'000
Opening balance of ordinary shares issued	**7,500**	5,000	**7,500**	5,000
Issues of ordinary shares during the year				
Issue of ordinary shares	-	2,500	-	2,500
Closing balance of ordinary shares issued	7,500	7,500	7,500	7,500

(c) Ordinary shares

On the 11 June 2010, 2.5 million shares were issued for cash consideration of $2.5 million.

At 31 March 2012 the total number of authorised shares is 7.5 million (31 March 2011: 7.5 million) with no par value. All issued shares are fully paid.

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

27 Retained earnings

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Balance at 1 April	**3,306**	6,639
Profit after tax for the year	**3,211**	2,926
Dividends	**(5,162)**	(6,259)
Balance at 31 March	**1,355**	3,306

28 Dividends

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Ordinary shares		
Interim dividend for the year ended 31 March 2012 of 46.2 cents (31 March 2011: 16.2 cents) per fully paid share on 28 September 2011 (31 March 2011: paid on 28 September 2010)	**3,465**	1,218
Final dividend for the year ended 31 March 2012 of 22.6 cents (31 March 2011: 67.2 cents) per fully paid share paid on 28 March 2012 (31 March 2011: paid on 25 March 2011)	**1,697**	5,041
	5,162	6,259

29 Commitments

Capital commitments

Capital expenditure for property, plant and equipment and intangible assets, contracted for at the reporting date but not recognised as liabilities as at 31 March 2012 is $Nil (31 March 2011: $Nil).

30 Contingencies

(a) Contingent liabilities

The Company had contingent liabilities at 31 March 2012 in respect of:

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
(i) GST		
The Company is part of a Goods and Services Tax ("GST") Group with the Fisher & Paykel Limited Group of companies and the following related companies: Fisher & Paykel Finance Holdings Limited, Fisher & Paykel Financial Services Limited and Retail Financial Services Limited.		
All members of the Group are jointly and severally liable for the GST obligations of the GST Group. As at the 31 March the GST liability of other members of the GST Group was:		
	61	15
(ii) Taxation		
The Company is a member of the Fisher & Paykel Finance Holdings Limited consolidated group for tax purposes.		
As at 31 March the taxation liability of other members of the taxation group was:		
	1,908	3,460
(iii) Imputation		
The Company is part of the Fisher & Paykel Appliances Holdings Limited imputation group.		
All members of an imputation group are jointly and severally liable to meet any debit balance in the imputation credit account as at 31 March in any year. The group imputation account as at 31 March was in credit.		
(iv) Other		
There were no other contingent liabilities at 31 March 2012 (31 March 2011: $Nil)		

(b) Contingent assets

There were no material contingent assets at 31 March 2012 (31 March 2011: $Nil).

31 Related party transactions

(a) Parent entities

The Company is controlled by Consumer Finance Limited (incorporated in New Zealand), which owns 100% of the ordinary shares. Consumer Finance Limited is wholly owned by Fisher & Paykel Finance Limited. The ultimate parent of the Company is Fisher & Paykel Appliances Holdings Limited (incorporated in New Zealand).

(b) Directors

The names of persons who were directors of the Company at any time during the year ended 31 March 2012 were as follows: S B Broadhurst; C M da Silva; J W Gilks; A A Macfarlane; G A Paykel; H B Rennie, QC and M D Richardson.

Changes during the period reported included:

- M D Richardson resigned as a Director of the Company effective 27 April 2011;
- S B Broadhurst was appointed as a Director of the Company effective 27 April 2011.

(c) Transactions with related parties

The following transactions occurred with related parties:

(i) Net related party receivables

The movement in net related party receivables during the year is shown below:

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Commonly controlled entities		
Balance at 1 April	**309**	203
Expenses paid by related party on Company's behalf	**(1,355)**	(1,821)
Overheads recharged from related party	**(1,758)**	(1,723)
Management fee	**(297)**	(284)
Repayments to related party	**3,333**	3,932
Other	**(41)**	2
Balance at 31 March (note 15)	**191**	309

Expenses and overheads including audit fees are recharged to the Company by Fisher & Paykel Finance Limited for expenses incurred on its behalf. Expense recharge and overhead recovery paid during the year was $1,758,000 (31 March 2011: $1,723,000).

No allowance for impairment has been raised in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

31 Related party transactions (continued)

(ii) Other transactions

Other transactions with related parties are shown below:

	Audited 31/03/12 $'000	Audited 31/03/11 $'000
Other transactions		
Dividends paid to parent entity	**5,162**	6,259
Contributions to superannuation funds on behalf of employees	**25**	27
Insurance premiums collected by Consumer Finance Limited on behalf of Company	**2,741**	185
Insurance commissions paid to commonly controlled entities	**1,337**	1,175

Dividends paid during the year to Consumer Finance Limited totalled $5,162,000 (31 March 2011: $6,259,000).

The Company pays a commission on card repayment insurance premiums received from Consumer Finance Limited and Fisher & Paykel Financial Services Limited. Insurance commission paid in the year ended 31 March 2012 was $1,337,000 (31 March 2011: $1,175,000).

32 Events occurring after the reporting date

There have been no material subsequent events after the reporting date.

33 Actuarial information

In order to comply with the Insurance Prudential Supervision Act 2010 the Company was required to appoint an Actuary.

Melville Jessup Weaver ("MJW") was appointed as the Actuary of Consumer Insurance Services Limited. Craig Lough (Fellow of the NZ Society of Actuaries) from MJW is the appointed Actuary of the Company.

The Company was provided with an Insurance Liability Valuation Report effective 31 March 2012 from MJW.

In this report the Actuary advised that they were satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. With the exception of data capture for two areas being refunds and GST. The Directors do not believe any deficiencies in data for these two areas would have had a material impact on the valuation of the insurance liabilities performed by the Actuary.

Key assumptions used by the Actuary in determining the outstanding claims liability are included in note 5.

In the Insurance Liability Valuation Report the Actuary commented that overall, and subject to the comments regarding refunds as noted above, that they were satisfied that the data supplied was adequate and appropriate for the investigations carried out.

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Independent Auditors' Report

to the shareholder of Consumer Insurance Services limited

Report on the Financial Statements

We have audited the financial statements of Consumer Insurance Services Limited on pages 4 to 29, which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income and statement of changes in equity for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these 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 controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the 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 auditors we have no relationship with, or interests in, Consumer Insurance Services Limited.

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Independent Auditors' Report

Consumer Insurance Services limited

Opinion

In our opinion, the financial statements on pages 4 to 29:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) give a true and fair view of the financial position of the Company as at 31 March 2012 and its financial performance for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholder in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholder those matters which we are required to state to them in an auditors' 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 and the Company's shareholder, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
27 June 2012

Auckland

30 August 2012

Mr I McGregor
Chief Financial Officer
Fisher & Paykel Finance Limited
Private Bag 94013
South Auckland Mail Centre
MANUKAU 2240

Dear Ian

Formal Statements - Section 78 Report

Section 78 of the Insurance (Prudential Supervision) Act 2010 ("Act") requires that the Appointed Actuary make the following statements:

a) This report has been completed by Craig Lough FNZSA, Appointed Actuary to Consumer Insurance Services Ltd ("CISL").

b) I have provided to the Board of CISL a Financial Condition Report as at 31 March 2012 (dated 21 August 2012). In that report I provided my assessment of the overall financial condition of CISL, having reviewed the operations of the company, its finances and its approach to risk management.

My report also set out an assessment of the Company's current and expected future solvency position determined under the Solvency Standard for Non-Life Insurance Business issued by the Reserve Bank of New Zealand in November 2011.

My report was prepared in accordance with both that Solvency Standard and the Exposure Draft of Professional Standard No. 12 "Non-Life Insurers – Financial Condition Report" dated 14 August 2012 and presented by the General Insurance Practice Committee of the NZ Society of Actuaries (NZSA) for approval and adoption by the Council of the NZSA.

c) There were no restrictions or limitations placed on my work or on my report.

d) I have no relationship with CISL other than being its Appointed Actuary. I hold no interests in CISL.

e) I obtained all of the information I required.

f) In my opinion and from an actuarial perspective (and subject to the comments below):

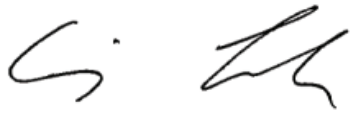
a) the actuarial information included in the CISL financial statements as at 31 March 2012 was appropriately included in those financial statements, and

b) the actuarial information used in the preparation of the CISL financial statements as at 31 March 2012 was used appropriately.

The only actuarial item that has been considered to be used inappropriately is the premium liabilities figure included in the Liability Adequacy Test (LAT) – Note 23. Despite this, I believe that the results of the LAT would not change and there would be no impact on the profitability or solvency of CISL.

g) The solvency margin that applies to CISL under a condition imposed under section 21(2)(b) of the Insurance (Prudential Supervision) Act 2010 as at 31 March 2012 was the margin set out in the Solvency Standard for Non-Life Insurance Business issued by the Reserve Bank of New Zealand in November 2011. In my opinion and from an actuarial perspective, CISL is maintaining that solvency margin as at 31 March 2012.

Yours sincerely



Craig Lough FNZSA
Appointed Actuary

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