Consumer Insurance Services Limited
Audited financial statements
for the year ended 31 March 2013

Directory

Principal business	Insurance services
Directors	C M da Silva (Chairman) H B Rennie, QC S B Broadhurst A A Macfarlane (resigned 30 April 2013) D A Sullivan
Registered office	31 Highbrook Drive East Tamaki Auckland, New Zealand
Auditors	PricewaterhouseCoopers New Zealand 188 Quay Street Private Bag 92162 Auckland, New Zealand
Solicitors	Bell Gully 48 Shortland Street Auckland, New Zealand Simpson Grierson 88 Shortland Street Auckland, New Zealand
Bankers	Bank of New Zealand Limited 80 Queen Street Auckland, New Zealand
Actuary	Melville Jessup Weaver Level 6 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 2013.

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 32 for issue on 21 June 2013

For and on behalf of the Board.

H B Rennie
Director

D A Sullivan
Director

Consumer Insurance Services Limited
Financial statements - 31 March 2013

Contents

Statement of comprehensive income

For the year ended 31 March 2013

	Note	31-Mar-13 $'000	31-Mar-12 $'000
Interest income	4	536	669
Interest expense		-	-
Net interest income		536	669
Net premium income	5	14,181	11,407
Warranty income		247	546
Net other income		14,428	11,953
Net operating income		14,964	12,622
Employee benefits expense	6	(443)	(491)
Operating expenses	6	(2,156)	(2,453)
Insurance commission		(4,814)	(3,013)
Net claims incurred	7	(2,101)	(2,206)
Total expenses		(9,514)	(8,163)
Profit before income tax expense		5,450	4,459
Income tax expense	9	(1,526)	(1,248)
Profit after income tax expense		3,924	3,211
Other comprehensive income net of tax		-	-
Total comprehensive income		3,924	3,211
Total comprehensive income is attributable to:			
Equity holders of Consumer Insurance Services Limited		3,924	3,211

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

pwc

Statement of financial position

As at 31 March 2013

	Note	31-Mar-13 $'000	31-Mar-12 $'000
Assets			
Cash and cash equivalents	10	220	260
Financial assets designated at fair value	11	15,096	17,508
Current tax receivables		110	-
Receivables	12	-	191
Deferred acquisition cost	13	3,027	6,105
Other assets	14	409	478
Total assets		18,862	24,542
Liabilities			
Payables and other liabilities	15	1,433	405
Current tax liabilities		-	381
Outstanding claims liability	16	692	659
Unearned premium liability	17	6,350	12,533
Deferred tax liabilities	19	848	1,709
Total liabilities		9,323	15,687
Net assets		9,539	8,855
Equity			
Share capital	20	7,500	7,500
Retained earnings		2,039	1,355
Total equity		9,539	8,855

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 32 for issue on 21 June 2013.

For and on behalf of Board

H B Rennie

Director

D A Sullivan

Director

pwc

Statement of changes in equity

For the year ended 31 March 2013

	Note	Attributable to equity holders of the Company		
		Share capital $'000	**Retained earnings $'000**	**Total equity $'000**
As at 1 April 2011		7,500	3,306	10,806
Comprehensive income				
Profit after income tax expense		-	3,211	3,211
Total comprehensive income		-	3,211	3,211
Transactions with owners				
Dividends	21	-	(5,162)	(5,162)
Total transactions with owners		-	(5,162)	(5,162)
As at 31 March 2012		7,500	1,355	8,855
As at 1 April 2012		7,500	1,355	8,855
Comprehensive income				
Profit after income tax expense		-	3,924	3,924
Total comprehensive income		-	3,924	3,924
Transactions with owners				
Dividends	21	-	(3,240)	(3,240)
Total transactions with owners		-	(3,240)	(3,240)
As at 31 March 2013		7,500	2,039	9,539

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

Statement of cash flows

For the year ended 31 March 2013

	Note	31-Mar-13 $'000	31-Mar-12 $'000
Cash flows from operating activities			
Interest received		**498**	809
Receipts from customers for insurance premium receipts (net of claims)		**6,378**	8,527
Payments to suppliers and employees		**(4,628)**	(6,247)
Income tax paid		**-**	(1,469)
Subvention payments		**(1,498)**	-
Net cash inflow from operating activities	30	**750**	1,620
Cash flows from investing activities			
Proceeds from sale of debt securities		**-**	500
Net cash inflow from investing activities		**-**	500
Cash flows from financing activities			
Dividends paid	21	**(3,240)**	(5,162)
Net cash outflow from financing activities		**(3,240)**	(5,162)
Net decrease in cash and cash equivalents		**(2,490)**	(3,042)
Cash and cash equivalents at the beginning of the year		**17,210**	20,252
Cash and cash equivalents at the end of the year		**14,720**	17,210
Cash and cash equivalents at end of year comprise:			
Cash and cash equivalents	10	**220**	260
Short-term deposits	11	**14,500**	16,950
		14,720	17,210

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 General accounting policies

Reporting entity

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

Consumer Insurance Services Limited (The Company) provides insurance services in New Zealand.

The address of its registered office is 31 Highbrook Drive, East Tamaki, Auckland.

Statutory base

The Company is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993. The principal accounting policies adopted in the preparation of the financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other interpretations as appropriate for profit-orientated entities.

The financial statements of Consumer Insurance Services Limited also comply with International Financial Reporting Standards (IFRS).

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993. The Company became an issuer under section 4(1)(da) of the Financial Reporting Act 1993 on 1 April 2012.

The Company is a profit-oriented entity.

These financial statements have been approved for issue by the Board of Directors on 21 June 2013.

Basis of measurement

The financial statements are based on the general principles of historical cost accounting, as modified by the fair value accounting for financial assets and financial liabilities at fair value through profit or loss. The going concern and the accrual basis have been adopted.

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

2 Summary of significant accounting policies

(a) 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.

(b) Premium revenue

Premium revenue includes amounts charged to the insured but excludes fire service levies, goods and services tax 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.

2 Summary of significant accounting policies (continued)

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

(c) 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.

(d) Income tax

The income tax expense on the profit for the year is the taxation payable on the current year's taxable income at tax rates that have been enacted or substantively enacted as at the balance date. This is adjusted by changes in deferred tax assets and liabilities. Income tax expense is recognised in the statement of comprehensive income except where it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and unused tax losses are only recognised to the extent that it is probable that future taxable amounts will be available against which the asset can be utilised.

(e) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of goods and services tax (GST) except to the extent that GST is not recoverable from the Inland Revenue. In these circumstances, GST is recognised as part of of the expense or cost of the asset.

(f) 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.

(g) Financial assets

Financial assets are classified in the following categories: financial assets at fair value through profit or loss or loans and receivables. Management determines the classification of its investments at initial recognition.

(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 on initial recognition. 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 due to accounting mismatches or if assets/liabilities are managed at fair value.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are taken directly to the statement of comprehensive income. Financial assets at fair value through profit or loss are subsequently carried at fair value.

(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 trading the receivable.

All loans and receivables are recognised at fair value plus directly attributable transaction costs.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.

pwc

2 Summary of significant accounting policies (continued)

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.

(h) Impairment of financial assets

(i) Assets carried at amortised cost

An assessment is made at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(ii) Assets carried at fair value

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

(i) Assets backing general insurance liabilities

As part of its investment strategy the Company actively manages its money market deposits and government stock to ensure that sufficient liquid funds are available to meet the expected pattern of future cash flows arising from general insurance liabilities.

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 balance date.

(j) Liability adequacy test

Liability adequacy testing is performed in order to recognise in the statement of comprehensive income any deficiencies 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 an additional 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.

(k) 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.

(l) 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 balance 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.

2 Summary of significant accounting policies (continued)

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.

(m) 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.

(n) Share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

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

(o) 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.

(p) New and amended standards adopted

The Company has adopted the following new and amended standards as of 1 April 2012:

- NZ IAS 1 (Amendment), "Presentation of Financial Statements" (effective from annual periods beginning on or after 1 July 2012).
  The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This has not affected the measurement of any of the items recognised in the statement of financial position or the statement of comprehensive income in the current period. The Company early adopted this amended standard from 1 April 2012.
- FRS 44 New Zealand Additional Disclosures and Harmonisation Amendments (effective for annual periods beginning on or after 1 July 2011).
  FRS 44 sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs. Adoption of the new rules has not affected any of the amounts recognised in the financial statements. The Harmonisation Amendments amend various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards. The significant amendments include introduction of the option to use the indirect method of reporting cash flows that is not currently in NZ IAS 7. In addition, various disclosure requirements have been deleted.

(q) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 April 2013 or later periods but which the Company has not early adopted:

- NZ IFRS 9, "Financial Instruments" part 1: Classification and measurement. NZ IFRS 9 was issued in November 2009 and replaces those parts of NZ IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

2 Summary of significant accounting policies (continued)

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of NZ IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

- NZ IFRS 10, "Consolidated Financial Statements" and NZ IFRS 12, "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).
  NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 "Consolidated and Separate Financial Statements", and NZ SIC 12 "Consolidation - Special Purpose Entities". The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Company does not expect the new standard to have a significant impact on its composition. NZ IFRS 12 sets out the required disclosures for entities reporting under the new standard, NZ IFRS 10. The Company does not expect the new standards (which it intends to adopt from their operative date) to have a significant impact on the Financial Statements.
- NZ IFRS 13, "Fair Value Measurement", (effective for annual periods on or after 1 January 2013).
  NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Company has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the reporting period ending 31 December 2013.
- Other interpretations and amendments are unlikely to have an impact on the Company's accounts and have therefore not been analysed in detail.

3 Critical accounting estimates and judgements

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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

3 Critical accounting estimates and judgements (continued)

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. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insurer until several months after the events giving rise to the claims has happened. The payment protection cover class will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the goods cover class, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- movement in industry benchmarks; and
- medical and technological developments.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in note 24.

4 Net interest income

	31-Mar-13 $'000	31-Mar-12 $'000
Interest income		
Government securities	**17**	29
Bank deposits	**507**	673
Fair value gains/(losses) on financial assets	**12**	(33)
Total interest income	**536**	669

5 Net premium revenue

	31-Mar-13 $'000	31-Mar-12 $'000
Gross written premiums	**7,998**	9,731
Movement in unearned premiums	**6,183**	1,690
Premium revenue	**14,181**	11,421
Outwards reinsurance premiums	**-**	(14)
Net premium revenue	**14,181**	11,407

6 Expenses

	31-Mar-13 $'000	31-Mar-12 $'000
Operating expenses		
Administration costs	**44**	10
Expense recharged from intermediate parent	**1,538**	1,758
Management fee	**231**	297
Marketing	**122**	220
Occupancy costs	**57**	60
Operational	**53**	54
Other	**216**	218
Professional	**127**	56
Telephone	**21**	15
Claims handling expenses reclassification *	**(253)**	(235)
Total operating expenses	**2,156**	2,453
Employee benefits		
Pension costs - defined contribution plans	**21**	25
Wages and salaries	**422**	466
Total employee benefits	**443**	491

* Included in "operating expenses" is the reclassification of claims handling expenses of $253,000 (31 March 2012: $235,000) to net claims incurred.

7 Net claims incurred

	31-Mar-13			31-Mar-12		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims expense	1,544	575	2,119	1,662	551	2,213
Reinsurance and other recoveries revenue						
Other recoveries revenue	-	(18)	(18)	-	(7)	(7)
	-	(18)	(18)	-	(7)	(7)
Net claims incurred	1,544	557	2,101	1,662	544	2,206

8 Net underwriting result

	31-Mar-13 $'000	31-Mar-12 $'000
Analysis of insurance operating result		
Premium revenue	14,181	11,421
Outwards reinsurance premiums	-	(14)
Net premium revenue	14,181	11,407
Gross claims expense	(2,119)	(2,213)
Reinsurance and other recoveries revenue	18	7
Net claims incurred	(2,101)	(2,206)
Acquisition costs	(4,814)	(3,013)
Other underwriting expenses	(647)	(646)
Expenses	(5,461)	(3,659)
Net underwriting result	6,619	5,542
Investment revenue	536	669
Operating surplus before income tax from insurance activities	7,155	6,211

9 Income tax expense

	31-Mar-13 $'000	31-Mar-12 $'000
(a) Income tax expense		
Current tax	2,387	1,381
Deferred tax - temporary differences (note 19)	(861)	(133)
Total income tax expense	1,526	1,248

(b) Reconciliation of income tax expense to prima facie tax payable

	31-Mar-13 $'000	31-Mar-12 $'000
Profit before income tax	5,450	4,459
Tax at the New Zealand tax rate of 28.0% (31 March 2012: 28.0%)	1,526	1,249
Other	-	(1)
Total income tax expense	1,526	1,248

10 Cash and cash equivalents

	31-Mar-13 $'000	31-Mar-12 $'000
Cash at bank	220	260
	220	260

11 Financial assets designated at fair value through profit or loss

	31-Mar-13 $'000	31-Mar-12 $'000
Deposits	14,561	16,952
Government Stock	535	556
	15,096	17,508

Included within the deposits at 31 March 2013 is principal of $14,500,00 (31 March 2012: $16,950,000) with the balance comprising of accrued interest and a fair value adjustment. The principal amount is included in the reconciliation in the statement of cash flows.

Deposits and government stock are held to back general insurance liabilities. These assets are categorised as a financial asset at fair value through profit or loss. See note 2 (i).

For an analysis of the sensitivity of financial assets at fair value through profit or loss to interest rate risk refer to note 22(a)(iii).

The deposits held at the balance date are current assets (31 March 2012: current). The government stock held at the balance date is a non-current asset (31 March 2012: non-current).

12 Receivables

	31-Mar-13 $'000	31-Mar-12 $'000
Net related party receivables		
Related party receivables (note 28(c)(i))	-	191
	-	191

The fair value of the related party receivable was equal to its carrying amount as discounting was not material.

13 Deferred acquisition costs

	31-Mar-13 $'000	31-Mar-12 $'000
Balance as at 1 April	6,105	6,580
Acquisition cost deferred	1,736	2,538
Amortisation charged to statement of comprehensive income	(4,814)	(3,013)
Balance as at 31 March	3,027	6,105

14 Other assets

	31-Mar-13 $'000	31-Mar-12 $'000
Dealer debtors and sundry debtors	409	478
	409	478

Items included in "Other assets" are current assets.

15 Payables and other liabilities

	31-Mar-13 $'000	31-Mar-12 $'000
Trade payables	108	121
Net related party payables (note 28(c)(i))	1,287	-
Goods and Services Tax payable	12	13
Unearned warranty income	26	271
	1,433	405

Items included in "Payables and other liabilities" are current payables.

16 Outstanding claims liability

	31-Mar-13 $'000	31-Mar-12 $'000
(a) Outstanding claims liability		
Central estimate	517	498
Discount to present value	(5)	(6)
	512	492
Claims handling costs	114	104
	626	596
Risk margin	66	63
Gross outstanding claims liability	692	659
Gross claims incurred - undiscounted	697	665
Current	625	599
Non-current	67	60
Total	692	659

(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 75%.

	31-Mar-13 %	31-Mar-12 %
Risk margin applied		
Overall risk margin	12.8	12.9

(c) Reconciliation of movement in outstanding claims liability

	31-Mar-13 $'000	31-Mar-12 $'000
Balance at 1 April	659	635
Incurred claims recognised in the statement of comprehensive income	2,101	2,206
Claim payments during the year	(2,068)	(2.182)
Balance at 31 March	692	659

(d) Claims development tables

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

17 Unearned premium liability

	31-Mar-13 $'000	31-Mar-12 $'000
Balance as at 1 April	12,533	14,227
Deferral of premiums on contracts written in the period	1,609	2,557
Earning of premiums written in previous periods	(7,792)	(4,251)
Balance as at 31 March	6,350	12,533
Current	3,626	5,581
Non-current	2,724	6,952
Total	6,350	12,533

18 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.

	31-Mar-13 $'000	31-Mar-12 $'000
Unearned premium liability	6,350	12,533
Deferred acquisition costs	(3,869)	(5,469)
Less impairment charges	842	-
Net deferred acquisition costs	(3,027)	(5,469)
Net premium unearned liability	3,323	7,064
Central estimate of present value of expected future cash flows arising from future claims on contracts issued	3,039	5,921
Risk Margin 16.2% (31 March 2012: 16.4%)	284	507
Present value of expected future cash flows for future claims	3,323	6,428
Net Surplus	-	636

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for is discussed in note 16(b). As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of adequacy.

Certain prior year comparatives have been reclassified to conform with current year presentation.

19 Deferred tax liabilities

	31-Mar-13 $'000	31-Mar-12 $'000
The balance comprises temporary differences attributable to:		
Deferred acquisition costs	848	1,709
Deferred tax liabilities	848	1,709
Movements:		
Balance at 1 April	**1,709**	1,842
Credited to the statement of comprehensive income (note 9)	(861)	(133)
Balance at 31 March	848	1,709
Expected settlement:		
Within 12 months	**473**	680
More than 12 months	375	1,029
	848	1,709

20 Share capital

(a) Ordinary shares fully paid

	31-Mar-13 Shares 000's	31-Mar-12 Shares 000's	**31-Mar-13 $'000**	31-Mar-12 $'000
Balance at beginning of year	**7,500**	7,500	**7,500**	7,500
Issue of ordinary shares	-	-	-	-
Balance at end of year	7,500	7,500	7,500	7,500

(b) Ordinary shares

At 31 March 2013 the total number of authorised shares was 7.5 million (31 March 2012: 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.

(c) Capital risk management

Information relating to Capital risk management, including objectives, policies and processes for managing capital, is set out in note 29.

21 Dividends

	31-Mar-13 $'000	31-Mar-12 $'000
Ordinary shares		
Interim dividend for the year ended 31 March 2013 of 21.0 cents (31 March 2012: 46.2 cents) per fully paid share on 28 September 2012 (31 March 2012: paid on 28 September 2011)	**1,575**	3,465
Final dividend for the year ended 31 March 2013 of 22.2 cents (31 March 2012: 22.6 cents) per fully paid share paid on 27 March 2013 (31 March 2012: paid on 28 March 2012)	1,665	1,697
	3,240	5,162

22 Financial risk management

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks relating to its financial instruments. Interest revenues may increase or decrease as the case may be, as a result of changes in market interest rates.

(i) Interest rate risk management process

The Company is part of a group which operates an Asset and Liability Committee which is responsible for managing interest rate risk in accordance with its charter and treasury risk management policies.

The Company manages interest rate risk by monitoring market interest rates and reviewing the impact of these on interest rate exposure.

(ii) Concentrations of interest rate exposure

The Company's main exposure to interest rate risk is its deposits. It is also exposed to interest rate risk on its cash at bank and government stock.

(iii) Summarised sensitivity analysis

Cash flow sensitivity analysis

The following tables summarise the sensitivity of the Company's financial assets and financial liabilities to cash flow interest rate risk.

		Cash flow interest rate risk			
		-1%		+1%	
31 March 2013	Carrying amount $'000	Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
Financial assets					
Cash and cash equivalents	220	(2)	(2)	2	2
Financial assets at fair value	15,096	(108)	(108)	108	108
Other financial assets	409	-	-	-	-
Financial liabilities					
Other financial liabilities	1,395	-	-	-	-
Total (decrease)/increase		(110)	(110)	110	110

22 Financial risk management (continued)

		Cash flow interest rate risk			
		-1%		+1%	
31 March 2012	Carrying amount $'000	Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
Financial assets					
Cash and cash equivalents	260	(2)	(2)	2	2
Financial assets at fair value	17,508	(126)	(126)	126	126
Receivables	191	-	-	-	-
Other financial assets	478	-	-	-	-
Financial liabilities					
Other financial liabilities	121	-	-	-	-
Total decrease/(increase)		(128)	(128)	128	128

Fair value sensitivity analysis

The following tables summarise the sensitivity of the Company's financial assets and financial liabilities (which are measured at fair value) to fair value interest rate risk.

		Fair value interest rate risk			
		-1%		+1%	
31 March 2013	Carrying amount $'000	Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
Financial assets					
Financial assets at fair value	15,096	22	22	(22)	(22)
Total increase/(decrease)		22	22	(22)	(22)

		Fair value interest rate risk			
		-1%		+1%	
31 March 2012	Carrying amount $'000	Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
Financial assets					
Financial assets at fair value	17,508	12	12	(10)	(10)
Total increase/(decrease)		12	12	(10)	(10)

Assumptions used in the sensitivity analyses

Significant assumptions used in the cash flow sensitivity analysis and fair value sensitivity analysis included:

- Possible movements in interest rates.
- The net exposure at balance date is representative of what the Company was and is expecting to be exposed to in the next twelve months from balance date.

22 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. It includes the risk that the Company may have insufficient liquid funds, or may not be able to raise sufficient funds at short notice, to meet its payment obligations associated with financial liabilities when they fall due. This situation can arise if there is a significant mismatch of its financial assets and financial liabilities.

(i) *Liquidity risk management process*

The Company is part of a Group which operates an Asset and Liability Committee which oversees all aspects of balance sheet risk assessment and management, including liquidity risk. This committee has a formal charter which outlines its role and responsibilities. All treasury related activity must comply with formal treasury risk management policies.

The Company manages liquidity risk by:

- monitoring day to day funding requirements and future cash flows to ensure requirements can be met; and
- monitoring balance sheet liquidity ratios against internal requirements.

(ii) *Maturity analysis*

The table below analyses the Company's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Call	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years	Total
31 March 2013	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash and cash equivalents	220	-	-	-	-	-	220
Financial assets designated at fair value:							
- Deposits	1,000	13,651	-	-	-	-	14,651
- Government stock	-	15	15	30	515	-	575
Other assets	-	409	-	-	-	-	409
	1,220	14,075	15	30	515	-	15,855
Financial liabilities							
Other liabilities	-	1,395	-	-	-	-	1,395
	-	1,395	-	-	-	-	1,395

	Call	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years	Total
31 March 2012	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash and cash equivalents	260	-	-	-	-	-	260
Financial assets designated at fair value:							
- Deposits	16,950	-	-	-	-	-	16,950
- Government stock	-	13	15	30	545	-	603
Receivables	-	191	-	-	-	-	191
Other financial assets	-	478	-	-	-	-	478
	17,210	682	15	30	545	-	18,482
Financial liabilities							
Other financial liabilities	-	121	-	-	-	-	121
	-	121	-	-	-	-	121

22 Financial risk management (continued)

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

31 March 2013	Up to 6 months $'000	Over 6 months and up to 1 year $'000	Over 1 year and up to 2 years $'000	Over 2 years and up to 5 years $'000	Over 5 years $'000	Total $'000
Insurance assets						
Deferred acquisition cost	849	880	983	315	-	3,027
	849	880	983	315	-	3,027
Insurance liabilities						
Outstanding claims liability	541	84	43	24	-	692
Unearned premium liability	1,779	1,847	2,063	661	-	6,350
	2,320	1,931	2,106	685	-	7,042

31 March 2012	Up to 6 months $'000	Over 6 months and up to 1 year $'000	Over 1 year and up to 2 years $'000	Over 2 years and up to 5 years $'000	Over 5 years $'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

(c) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit exposures arise principally in deposits held with other entities.

(i) *Credit risk management process*

The Company is part of a group which has a Credit Committee which oversees all aspects of credit risk assessment and management, and operates within formal credit policies and guidelines approved by the board of the Company. These policies ensure that any credit risk incurred falls within acceptable parameters.

22 Financial risk management (continued)

(ii) Maximum exposure to credit risk before collateral held or other credit enhancements

	31-Mar-13 $'000	31-Mar-12 $'000
Credit exposures relating to on-balance sheet assets:		
Cash and cash equivalents	**220**	260
Financial assets designated at fair value		
- Deposits	**14,561**	16,952
- Government stock	**535**	556
Receivables	**-**	191
Other assets	**409**	478
	15,725	18,437

The above table represents a maximum credit risk exposure scenario at 31 March 2013 and 31 March 2012, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

No collateral is held by the Company for the assets listed in the table above.

Deposits are held with various financial institutions. The Company's exposure to credit risk from these deposits is limited because it does not expect non-performance of the obligations contained therein due to the credit rating of the financial institutions concerned. At balance date all approved counterparties have a long term credit rating of "AA-" from Standard & Poor's and the Company does not require collateral or other security to support these financial instruments.

(d) Fair value estimation

The Company categorises the fair value of financial instruments according to the following fair value hierarchy:

- **Quoted market price (Level 1)**

  This valuation technique uses recent unadjusted quoted prices for identical assets or liabilities in active markets where the price represents actual and regularly occurring market transactions on an arm's length basis.

- **Valuation technique using observable inputs (Level 2)**

  This valuation technique is used for financial instruments where quoted market prices are not available so prices are derived from standard valuation models, and inputs to these models are directly observable. The valuation techniques include the use of discounted cash flow analysis and other valuation techniques widely used and accepted by market participants. Financial instruments included in this category are mainly financial instruments with fair value derived from consensus pricing with sufficient contributors, including interest rate swaps.

- **Valuation technique with significant non-observable inputs (Level 3)**

  This valuation technique is used where at least one significant input is not observable and reliance is placed on reasonable assumptions based on market conditions. These estimates are calibrated against industry standards, economic models and observable transaction prices where possible.

  The fair value of deposits and government stock held by the Company is calculated as the present value of estimated future cash flows based on observable benchmark interest rates such as BKBM. As such, the input parameters into the models are deemed market observable and therefore deposits and government stock are categorised as Level 2 instruments.

22 Financial risk management (continued)

31 March 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Financial assets at fair value through profit or loss				
- Deposits	-	14,561	-	14,561
- Government stock	535	-	-	535
Total assets	535	14,561	-	15,096

31 March 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Financial assets at fair value through profit or loss				
- Deposits	-	16,952	-	16,952
- Government stock	556	-	-	556
Total assets	556	16,952	-	17,508

(e) Foreign exchange risk

As at 31 March 2013 the Company had no foreign currency exposure (31 March 2012: $Nil).

(f) Other activities

The Company has no involvement in funds management, securitisation, custodial or trust activities.

22 Financial risk management (continued)

(g) Financial instruments by category

	Assets at fair value through profit or loss - designated $'000	Loans and receivables measured at amortised cost $'000	Total $'000
At 31 March 2013			
Cash and cash equivalents	-	220	220
Deposits and government stock	15,096	-	15,096
Other assets	-	409	409
	15,096	629	15,725
At 31 March 2012			
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

	Liabilities measured at amortised cost $'000	Total $'000
At 31 March 2013		
Payables	1,395	1,395
	1,395	1,395
At 31 March 2012		
Payables	121	121
	121	121

23 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 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 and manage the risk profile 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.
- The mix of investments is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to ensure that sufficient liquid funds are available to meet the anticipated insurance claim payments.

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

- The diversification of business over four classes of insurance and large numbers of uncorrelated individual risks 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

The Company is exposed to four classes of business: Goods Cover, Payment Protection Cover, Combined Cover (which is a combination of the first two classes) and Extended Warranty Cover. The Company discontinued writing new business for the Extended Warranty Cover in the year ended 31 March 2012. As at 31 March 2013, the Company offers three insurance products to a broad spread of consumers across New Zealand.

(d) Development of claims

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 contracts entered into by the Company are directly exposed to interest rate risk.

(f) Credit risk

The carrying value of financial assets and liabilities arising from insurance and reinsurance contracts represents the maximum credit risk exposure at the balance date. Refer note 22(c).

(g) Insurance company ratings

At 31 March 2013 the Company had an insurer financial strength rating of "B++ (Stable)" and an issuer credit rating of "bbb (Stable)" from AM Best Company Limited. The Company had the same ratings for the year ended 31 March 2012. Subsequent to balance date the issuer credit rating of the Company was upgraded (refer note 31(b)).

(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, the Company discontinued its reinsurance programme because analysis showed acceptable risk profile without it and discontinuation improved net returns.

(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 assets in accordance with Board approved treasury policies to ensure that sufficient liquid funds are available to meet anticipated insurance liabilities.

24 Insurance - assumptions and methods

The Company has four classes of business (as detailed in note 23(c)). All four classes are short tail in nature meaning that claims are typically settled within one year of being reported. 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 balance 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.

	31-Mar-13	31-Mar-12
Average weighted term to settlement from balance date	**5.2 mths**	5.1 months
Expense rate	**23.0%**	23.4%

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.

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.

25 Actuarial information

Melville Jessup Weaver ("MJW") was appointed as the Actuary of Consumer Insurance Services Limited in accordance with the Insurance Prudential Supervision Act 2010.

An Insurance Liability Valuation Report effective 31 March 2013 was provided. Overall, the Actuary considered that the information provided was adequate and appropriate for the purpose of the valuation.

The key assumptions used by the Actuary in determining the outstanding claims liability are included in note 24.

26 Imputation credits

The Company is a member of the Fisher & Paykel Appliances Holdings Limited imputation group and can access imputation credits of the imputation group. The amount of imputation credits available to the Company as at 31 March 2013 was $Nil (31 March 2012: $Nil).

27 Contingencies

(a) Contingent liabilities

Fisher & Paykel Finance Holdings Limited (the parent of Fisher & Paykel Finance Limited) and its wholly-owned New Zealand controlled entities form a tax consolidation group. As a consequence, one income tax return is completed for the group and the group is treated for income tax purposes as one taxpayer.

The tax consolidated group is required to complete one imputation credit account (filed as part of the Fisher & Paykel Appliances Holdings Limited imputation group). The imputation credit account is disclosed in note 26.

The Company is part of a taxation group with the following related companies:

- Consumer Finance Limited;
- Equipment Finance Limited;
- Fisher & Paykel Finance Limited;
- Fisher & Paykel Finance Holdings Limited;
- Fisher & Paykel Financial Services Limited; and
- Retail Financial Services Limited

All members of a taxation group are jointly and severally liable for the taxation obligations of the taxation group.

As at balance date the taxation liability of other members of the taxation group was $Nil (31 March 2012: $1,908,000).

(b) Contingent assets

There were no material contingent assets at 31 March 2013 (31 March 2012: $Nil).

28 Related party

(a) Parent entities

The Company is controlled by Consumer Finance Limited, a New Zealand company, which in turn is a wholly owned subsidiary of Fisher & Paykel Appliance Holdings Limited, a New Zealand company. On 15 November 2012, Haier New Zealand Investment Holding Company Limited, a subsidiary of Haier Group Corporation, acquired Fisher & Paykel Appliances Holdings Limited.

(b) Directors

The names of persons who were directors of the Company at any time during the year ended 31 March 2013 were as follows: S B Broadhurst; C M da Silva; J W Gilks; A A Macfarlane; G A Paykel; H B Rennie, QC; and D A Sullivan.

Changes during the period reported included:

- J W Gilks resigned as a Director of the Company effective 25 July 2012;

- G A Paykel resigned as a Director of the Company effective 21 August 2012; and

- D A Sullivan was appointed a Director of the Company effective 23 August 2012.

Subsequent to balance date there were further changes to the directors of the Company (refer to note 31(a)).

(c) Transactions with related parties

The following transactions occurred with related parties:

(i) Net related party (payables)/receivables

The movement in net related party receivables/(payables) during the year is shown below:

	31-Mar-13 $'000	31-Mar-12 $'000
Commonly controlled entities		
Balance at 1 April	**191**	309
Expenses paid by related party on Company's behalf	**(1,100)**	(1,355)
Overheads recharged from related party	**(1,538)**	(1,758)
Management fee	**(231)**	(297)
Repayments to related party	**2,811**	3,333
Other	**(1,420)**	(41)
Balance at 31 March (note 12/note 15)	**(1,287)**	191

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 $1,538,000 (31 March 2012: $1,758,000).

(ii) Other transactions

Other transactions with related parties are shown below:

	31-Mar-13 $'000	31-Mar-12 $'000
Other transactions		
Dividends paid to parent entity	**3,240**	5,162
Contributions to superannuation funds on behalf of employees	**21**	25
Insurance premiums collected by Consumer Finance Limited on behalf of Company	**2,971**	2,741
Insurance commissions paid to commonly controlled entities	**1,274**	1,337

29 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to its shareholders; and
- to maintain a strong capital base to support the development of its business.

The level of capital is determined by the Board of Directors taking into account the requirements of the Insurance (Prudential Supervision) Act 2010 and the Solvency Standard for Non-life Insurance Business as well as internal policies.

The Solvency Standard for Non-life Insurance Business requires a licensed insurer to:

- at all times, maintain a Solvency Margin as defined in the solvency standard. The Solvency Margin must always be a positive amount, and a licensed insurer must maintain Actual Solvency Capital in excess of the amount required to maintain this Solvency Margin.
- if a licensed insurer has reasonable grounds to believe that a failure to maintain a solvency margin is likely to occur at any time within the next three years, the licensed insurer must report the likely failure to the Reserve Bank of New Zealand as soon as is reasonably practicable.

The Company has complied with this minimum capital requirements during the periods reported (from the commencement date of January 2012).

The tables below show the calculation of the solvency capital.

(a) Actual solvency capital

	31-Mar-13 $'000	31-Mar-12 $'000
Share capital	7,500	7,500
Retained Earnings	2,039	1,355
Actual solvency capital	9,539	8,855

(b) Mimimum solvency capital

	31-Mar-13 $'000	31-Mar-12 $'000
Insurance risk capital charge	608	1,085
Catastrophe risk capital charge	40	40
Asset risk capital charge	370	574
Off balance sheet exposures capital charge	-	394
Interest rate risk capital charge	66	113
Sum of capital charges	1,084	2,206
Mimimum solvency capital required *	3,000	3,000
Solvency Margin	6,539	5,855

** Minimum solvency capital is the greater of: the sum of the capital charges or $3.0 million.*

30 Reconciliation of profit after income tax to net cash inflow from operating activities

	31-Mar-13 $'000	31-Mar-12 $'000
Profit after tax for the year	3,924	3,211
Fair value (gain)/loss on other financial assets at fair value through profit or loss	(12)	33
Movement in accrued interest	(26)	107
Movement in current tax	(491)	(88)
Movement in other assets	3,242	763
Movement in deferred tax liabilities	(862)	(133)
Movement in payables	(5,025)	(2,273)
Net cash inflow from operating activities	750	1,620

31 Events occurring after the balance date

(a) Directors

A A Macfarlane retired as a Director of the Company effective 30 April 2013.

(b) Credit rating

Effective 16 May 2013 AM Best Company Limited upgraded the issuer credit rating of the Company from "bbb (Stable)" to "bbb+ (Stable)".

(c) License

Effective 13 May 2013, the Reserve Bank of New Zealand issued the Company its full license to carry on insurance business in New Zealand. The requirement to be fully licensed was a requirement of the Insurance (Prudential Supervision) Act 2010.

(d) Other

There have been no other material subsequent events after the balance date.

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 32, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 (9) 355 8000, F: +64 (9) 355 8001, www.pwc.com/nz

pwc

Independent Auditors' Report
Consumer Insurance Services limited

Opinion
In our opinion, the financial statements on pages 4 to 32:

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

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company as at 31 March 2013 and its financial performance and cash flows 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 2013:

(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
21 June 2013

Auckland

20 August 2013

Mr P McIntyre
Chief Financial Officer
Fisher & Paykel Finance Limited
Private Bag 94013
MANUKAU 2241

Dear Philip

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 Limited ('CISL').

b) Melville Jessup Weaver has provided to the Board of CISL, insurance liability valuation reports for the non-life business and a financial condition report as at 31 March 2013. In those reports we provided assessments of the technical provisions required by CISL and an assessment of the current and future financial condition of CISL.

CISL have provided me with their financial statements as at 31 March 2013 (dated 21 June 2013) and supporting information, including their solvency calculations as at 31 March 2013.

The solvency calculations have been reviewed against the Reserve Bank of New Zealand's, Solvency Standard for Non-Life Insurance Business (May 2012).

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:

   a) the actuarial information included in the CISL financial statements as at 31 March 2013 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 2013 was used appropriately.

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 2013 was the margin set out in the Solvency Standard for Non-Life Insurance Business issued by the Reserve Bank of New Zealand in May 2012. In my opinion and from an actuarial perspective, CISL is maintaining that solvency margin as at 31 March 2013.

Yours sincerely

Craig Lough FNZSA
Appointed Actuary

csl308aac.Section78_30Jun13_Formal Statements.let.docx