Consumer Insurance Services Limited
Audited financial statements
for the nine months ended 31 December 2013

Directory

Principal business	Insurance services
Directors	C M da Silva (Chairman) H B Rennie, QC D A Sullivan C G Wakefield (appointed 1 October 2013)
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
Banker	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 nine months ended 31 December 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 4 to 26 for issue on 26 March 2014.

For and on behalf of the Board.

C M da Silva
Director

D A Sullivan
Director

Consumer Insurance Services Limited
Financial statements - 31 December 2013

Contents

Statement of comprehensive income

For the nine months ended 31 December 2013

	Note	**9 months 31-Dec-13 $000**	12 months 31-Mar-13 $000
Interest income	4	**400**	536
Premium revenue	5	**7,098**	14,181
Warranty income		**44**	247
Total other income		**7,142**	14,428
Total operating income		**7,542**	14,964
Insurance commission		**(2,301)**	(4,814)
Net claims incurred	7	**(1,369)**	(2,101)
Operating expenses	6	**(1,773)**	(2,599)
Total expenses		**(5,443)**	(9,514)
Profit before income tax expense		**2,099**	5,450
Income tax expense	9	**(587)**	(1,526)
Profit after income tax expense		**1,512**	3,924
Other comprehensive income net of tax		**-**	-
Total comprehensive income		**1,512**	3,924
Total comprehensive income is attributable to:			
Equity holders of Consumer Insurance Services Limited		**1,512**	3,924

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

Statement of financial position

As at 31 December 2013

	Note	31-Dec-13 $000	31-Mar-13 $000
Assets			
Cash at bank		**184**	220
Financial assets designated at fair value through profit or loss	10	**12,797**	15,096
Current tax receivables		**-**	110
Related party receivable	26(c)(i)	**253**	-
Deferred acquisition cost	11	**1,613**	3,027
Dealer debtors and sundry debtors	12	**486**	409
Total assets		**15,333**	18,862
Liabilities			
Payables and other liabilities	13	**354**	146
Current tax liabilities		**753**	-
Related party payable	26(c)(i)	**-**	1,287
Outstanding claims liability	14	**579**	692
Unearned premium liability	15	**4,344**	6,350
Deferred tax liabilities	17	**452**	848
Total liabilities		**6,482**	9,323
Net assets		**8,851**	9,539
Equity			
Share capital	18	**7,500**	7,500
Retained earnings		**1,351**	2,039
Total equity		**8,851**	9,539

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 4 to 26 for issue on 26 March 2014.

For and on behalf of Board.

C M da Silva

Director

D A Sullivan

Director

Statement of changes in equity

For the nine months ended 31 December 2013

	Note	Attributable to equity holders of the Company		
		Share capital $000	Retained earnings $000	Total equity $000
As at 1 April 2012		7,500	1,355	8,855
Year ended 31 March 2013				
Profit after income tax expense		-	3,924	3,924
Total comprehensive income		-	3,924	3,924
Transactions with owners				
Dividends	19	-	(3,240)	(3,240)
Total transactions with owners		-	(3,240)	(3,240)
As at 31 March 2013		7,500	2,039	9,539
As at 1 April 2013		7,500	2,039	9,539
Nine months ended 31 December 2013				
Profit after income tax expense		-	1,512	1,512
Total comprehensive income		-	1,512	1,512
Transaction with owners				
Dividend	19	-	(2,200)	(2,200)
Total transaction with owners		-	(2,200)	(2,200)
As at 31 December 2013		7,500	1,351	8,851

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

Statement of cash flows

For the nine months ended 31 December 2013

	Note	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Cash flows from operating activities			
Interest received		370	498
Insurance premium receipts (net of claims)		3,610	6,378
Payments to suppliers and employees		(2,655)	(4,628)
Subvention payments		(1,502)	(1,498)
Other revenue		18	-
Net cash (outflow)/inflow from operating activities		(159)	750
Cash flows from investing activities			
Proceeds from sale of investment securities		523	-
Net cash inflow from investing activities		523	-
Cash flows from financing activities			
Dividends paid	19	(2,200)	(3,240)
Net cash outflow from financing activities		(2,200)	(3,240)
Net decrease in cash and cash equivalents		(1,836)	(2,490)
Cash and cash equivalents at the beginning of the period		14,720	17,210
Cash and cash equivalents at end of period		12,884	14,720
Cash and cash equivalents at end of period comprise:			
Cash at bank		184	220
Short-term deposits	10	12,700	14,500
		12,884	14,720
Reconciliation of profit after income tax to net cash inflow from operating activities			
Profit after tax for the period		1,512	3,924
Fair value gain financial assets at fair value through profit or loss		(25)	(12)
Movement in accrued interest		(5)	(26)
Movement in current tax		863	(491)
Movement in other assets		1,185	3,242
Movement in deferred tax liabilities		(396)	(862)
Movement in payables		(3,293)	(5,025)
Net cash (outflow)/inflow from operating activities		(159)	750

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

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.

Basis of preparation

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), other interpretations as appropriate for profit-oriented entities, and 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 26 March 2014.

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.

Balance date change

During the period the Company changed its balance date from 31 March to 31 December to align its balance date with that of its ultimate parent, Haier Group Corporation. Current period figures in these financial statements are for a nine month period ended 31 December 2013, comparative figures are for the twelve months ended 31 March 2013. Accordingly, comparative amounts for the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and related notes are not directly comparable.

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.

2 Summary of significant accounting policies (continued)

(b) Premium revenue

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

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) Income tax

The income tax expense on the profit for the period is the taxation payable on the current period'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.

(d) GST

Revenue, expenses and assets are recognised net of 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.

(e) 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.

(f) 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.

(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 money, goods or services are provided directly to a debtor with no intention of trading the receivable.

Purchases and sales of financial assets at fair value through profit and loss are recognised on the trade date. Loans and receivables are recognised when cash is advanced to the borrower. Financial assets at fair value through profit or loss are recognised initially at fair value, loans and receivables are recognised initially at fair value plus directly attributable transaction costs.

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. Realised and unrealised gains or losses arising from changes in the fair value of financial assets through profit or loss are included in the statement of comprehensive income in the period in which they arise.

2 Summary of significant accounting policies (continued)

Where the market for a financial asset is not active, the Company establishes the fair value using valuation techniques. These include the use of recent arms's length transactions, discounted cash flow analysis and other techniques commonly used by market participants.

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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

2 Summary of significant accounting policies (continued)

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.

(l) 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.

(m) Changes in accounting policies

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

(n) Prior year comparatives

Prior year comparatives have not been reclassified to conform with current year presentation.

(o) New and amended standards adopted

The Company has adopted the following new and amended standards as of 1 April 2013:

- NZ IFRS 13 *Fair Value Measurement* is effective for periods commencing on or after 1 January 2013. It provides guidance on how to determine fair value under NZ IFRS and it also expands the disclosure requirement for all assets and liabilities carried at fair value. There has been no material impact on the financial statements.
- NZ IFRS 10 *Consolidated Financial Statements* and NZ IFRS 12 *Disclosure of Interests in Other Entities* are effective for periods commencing on or after 1 January 2013. NZ IFRS 10 introduces a single definition of control which focuses on the need to have both power and rights to variable returns. NZ IFRS 12 sets out the disclosure requirements for entities reporting under the new standard. There has been no material impact on the financial statements.

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

The following new standards and amendments to standards relevant to the Company have been issued:

- NZ IFRS 9 *Financial Instruments* replaces part of NZ IAS 39 Financial Instruments: Recognition and Measurement. It establishes two measurement categories for financial assets: amortised cost and fair value. The classification is dependent on an entity's business model and the contractual cash flow of the financial asset. It also amends the fair value option for financial liabilities to address the issue of credit risk and includes new hedge accounting requirements. Changes to impairment provisioning will also be incorporated in the final standard. The Company is in the process of assessing the potential effect of this standard and whether to early adopt.
- 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.

3 Critical accounting estimates and judgements (continued)

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results.

Provision is made at the period 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.

(i) Outstanding claims liability

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 IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company. IBNR claims may often not be apparent to the insurer until several months after the events giving rise to the claims have occured. 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. Allowance is made for changes or uncertainties which may 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.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. 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 period.

Details of specific assumptions used in deriving the outstanding claims liability at period end are detailed in note 22.

(ii) Contingencies

During the period ended 31 December 2013, the Company received a request to correct an error made by an agent regarding the processing of insurance refunds. The Company is assessing the validity of this request. Should an adjustment be required, it is unlikely to have a material impact on the financial results of the Company.

4 Interest income

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Government securities	**11**	17
Short-term deposits	**364**	507
Fair value gains on financial assets	**25**	12
Total interest income	**400**	536

5 Premium revenue

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Gross written premiums	**5,092**	7,998
Movement in unearned premiums (note 15)	**2,006**	6,183
Premium revenue	**7,098**	14,181

6 Operating expenses

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Administration costs	**220**	44
Expense recharged from related parent (note 26(c)(i))	**1,074**	1,538
Management fee from related party (note 26(c)(i))	**-**	231
Marketing	**88**	122
Occupancy costs	**42**	57
Operational	**34**	53
Pension costs - defined contribution plans	**16**	21
Professional and consultancy	**91**	127
Telephone	**15**	21
Wages and salaries	**77**	169
Other	**116**	216
Total operating expenses	**1,773**	2,599

7 Net claims incurred

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Gross claims expense		
Risks borne in the current period	**999**	1,544
Reassessment of risks borne in previous periods	**382**	575
Other recoveries revenue		
Reassessment of risks borne in previous periods	**(12)**	(18)
Net claims incurred	**1,369**	2,101

8 Net underwriting result

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Analysis of insurance operating result		
Premium revenue	**7,098**	14,181
Gross claims expense	**(1,381)**	(2,119)
Other recoveries revenue	**12**	18
Net claims incurred	**(1,369)**	(2,101)
Acquisition costs	**(2,301)**	(4,814)
Other underwriting expenses	**(530)**	(647)
Expenses	**(2,831)**	(5,461)
Net underwriting result	**2,898**	6,619
Interest income	**400**	536
Operating surplus before income tax from insurance activities	**3,298**	7,155

9 Income tax expense

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
(a) Income tax expense		
Current tax	983	2,387
Deferred tax - temporary differences (note 17)	(396)	(861)
Total income tax expense	587	1,526
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	2,099	5,450
Tax at the New Zealand tax rate of 28.0% (31 March 2013: 28.0%)	587	1,526

10 Financial assets designated at fair value through profit or loss

	31-Dec-13 $000	31-Mar-13 $000
Short-term deposits	12,797	14,561
Government stock	-	535
	12,797	15,096

Included within the deposits at 31 December 2013 is principal of $12,700,000 (31 March 2013: $14,500,000) with the balance comprised of accrued interest and a fair value adjustment.

The above investments are held to back general insurance liabilities.

The deposits held at the balance date are current assets (31 March 2013: current). The Government stock held at 31 March 2013 was a non-current asset.

11 Deferred acquisition costs

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Opening balance	3,027	6,105
Acquisition cost deferred	887	1,736
Amortisation charged to statement of comprehensive income	(2,301)	(4,814)
Closing balance	1,613	3,027
Current	1,069	1,729
Non-current	544	1,298
Total deferred acquisition costs	1,613	3,027

12 Dealer debtors and sundry debtors

Dealer debtors and sundry debtors are current assets.

13 Payables and other liabilities

	31-Dec-13 $000	31-Mar-13 $000
Trade payables	354	120
Unearned warranty income	-	26
	354	146

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

14 Outstanding claims liability

	31-Dec-13	31-Mar-13
	$000	$000
(a) Outstanding claims liability		
Central estimate	**436**	517
Discount to present value	**(6)**	(5)
	430	512
Claims handling costs	**95**	114
	525	626
Risk margin	**54**	66
Gross outstanding claims liability	**579**	692
Gross claims incurred - undiscounted	**585**	697
Current	**518**	625
Non-current	**61**	67
Total	**579**	692

(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 March 2013: 75%).

	31-Dec-13	31-Mar-13
	%	%
Risk margin applied		
Overall risk margin	**12.7**	12.8

(c) Reconciliation of movement in outstanding claims liability

	9 months	12 months
	31-Dec-13	31-Mar-13
	$000	$000
Opening balance	**692**	659
Incurred claims recognised in the statement of comprehensive income	**1,369**	2,101
Claim payments	**(1,482)**	(2,068)
Closing balance	**579**	692

(d) Claims development tables

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

15 Unearned premium liability

	9 months	12 months
	31-Dec-13	31-Mar-13
	$000	$000
Opening balance	**6,350**	12,533
Deferral of premiums	**1,430**	1,609
Earning of premiums	**(3,436)**	(7,792)
Closing balance	**4,344**	6,350
Current	**2,879**	3,626
Non-current	**1,465**	2,724
Total	**4,344**	6,350

16 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-Dec-13 $000	31-Mar-13 $000
Unearned premium liability	**4,344**	6,350
Deferred acquisition costs	**(1,613)**	(3,027)
Net premium unearned liability	**2,731**	3,323
Central estimate of present value of expected future cash flows arising from future claims on contracts issued	**1,576**	3,039
Risk margin 16.2% (31 March 2013: 16.2%)	**148**	284
Present value of expected future cash flows for future claims	**1,724**	3,323
Net surplus	**1,007**	-

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for is discussed in note 14(b).As with outstanding claims, the overall risk margin is intended to achieve 75% probability of adequacy.

17 Deferred tax liabilities

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
The balance comprises temporary differences attributable to:		
Deferred acquisition costs	**452**	848
Deferred tax liabilities	**452**	848
Movements:		
Opening balance	**848**	1,709
Credited to the statement of comprehensive income (note 9)	**(396)**	(861)
Closing balance	**452**	848
Expected settlement:		
Current	**298**	473
Non-current	**154**	375
	452	848

18 Share capital

Ordinary shares fully paid

	31-Dec-13 Shares 000	31-Mar-13 Shares 000	**31-Dec-13 $000**	31-Mar-13 $000
Opening balance	**7,500**	7,500	**7,500**	7,500
Issue of ordinary shares	**-**	-	**-**	-
Closing balance	**7,500**	7,500	**7,500**	7,500

Ordinary shares

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

19 Dividends

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Ordinary shares		
Interim dividend for the period ended 31 December 2013 of 29.3 cents (31 March 2013: 21.0 cents) per fully paid share on 27 September 2013 (31 March 2013: paid on 28 September 2012)	**2,200**	1,575
Final dividend for the period ended 31 December 2013 was $Nil (31 March 2013: 22.2 cents per fully paid share paid on 27 March 2013)	**-**	1,665
	2,200	3,240

20 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 ("ALCO") which is responsible for managing interest rate risk in accordance with its charter and treasury risk management policies. In addition, the Company operates an Insurance Committee ("INSCO"), which along with ALCO, oversees the management of interest rate risks.

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 exposure to interest rate risk arises from its deposits, cash at bank and government stock.

20 Financial risk management (continued)

(iii) 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 December 2013	Carrying amount $000	Profit after tax $000	Equity $000	Profit after tax $000	Equity $000
Financial assets					
Cash at bank	184	(1)	(1)	1	1
Financial assets at fair value	12,797	(92)	(92)	92	92
Other financial assets	739	-	-	-	-
Financial liabilities					
Other financial liabilities	337	-	-	-	-
Total (decrease)/increase		(93)	(93)	93	93

		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 at bank	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

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%	
	Carrying amount $000	Profit after tax $000	Equity $000	Profit after tax $000	Equity $000
31 December 2013					
Financial assets at fair value	12,797	18	18	(18)	(18)
31 March 2013					
Financial assets at fair value	15,096	22	22	(22)	(22)

20 Financial risk management (continued)

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.

(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 ALCO 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 December 2013	$000	$000	$000	$000	$000	$000	$000
Financial assets							
Cash at bank	184	-	-	-	-	-	184
Financial assets designated at fair value:							
- Deposits	1,200	11,693	-	-	-	-	12,893
Other assets	-	739	-	-	-	-	739
	1,384	12,432	-	-	-	-	13,816
Financial liabilities							
Other liabilities	-	337	-	-	-	-	337

20 Financial risk management (continued)

31 March 2013	Call $000	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
Financial assets							
Cash at bank	220	-	-	-	-	-	220
Financial assets designated at fair value:							
- Deposits	1,000	13,651	-	-	-	-	14,651
- Government stock	-	15	15	30	515	-	575
Other financial assets	-	409	-	-	-	-	409
	1,220	14,075	15	30	515	-	15,855
Financial liabilities							
Other financial liabilities	-	1,395	-	-	-	-	1,395
	-	1,395	-	-	-	-	1,395

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

31 December 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	556	513	467	77	-	1,613
Insurance liabilities						
Outstanding claims liability	450	68	39	22	-	579
Unearned premium liability	1,497	1,382	1,258	207	-	4,344
	1,947	1,450	1,297	229	-	4,923

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
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

(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.

20 Financial risk management (continued)

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

	31-Dec-13 $000	31-Mar-13 $000
Credit exposures relating to on-balance sheet assets:		
Cash at bank	**184**	220
Financial assets designated at fair value		
- Deposits	**12,797**	14,561
- Government stock	**-**	535
Other assets	**739**	409
	13,720	15,725

The above table represents a maximum credit risk exposure at 31 December 2013 and 31 March 2013. 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. At balance date all counterparties have a long term credit rating of "AA-" from Standard & Poor's.

(d) Fair value estimation

The carrying value of certain financial assets and financial liabilities, due to the short term nature of the receivable or obligation, approximates their fair value. The carrying values of related party receivable, other assets, and payables and other liabilities approximate their fair values.

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 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 are categorised as Level 2 instruments.

31 December 2013	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Assets				
Financial assets at fair value through profit or loss				
- Short-term deposits	-	12,797	-	12,797

20 Financial risk management (continued)

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

There have been no transfers in or out of Level 2 of the fair value hierarcy.

(e) Foreign exchange risk

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

(f) Other activities

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

(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 December 2013			
Cash at bank	-	184	184
Short-term deposits and Government stock	12,797	-	12,797
Other assets	-	739	739
	12,797	923	13,720
At 31 March 2013			
Cash at bank	-	220	220
Short-term deposits and Government stock	15,096	-	15,096
Dealer debtors and sundry debtors	-	409	409
	15,096	629	15,725

	Liabilities measured at amortised cost $000	**Total $000**
At 31 December 2013		
Payables	337	337
At 31 March 2013		
Payables	1,395	1,395

21 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 policy guidelines, 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.

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

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.
- 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 December 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) Insurance company ratings

At 31 December 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.

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

(f) 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 policy to ensure that sufficient liquid funds are available to meet anticipated insurance liabilities.

(g) License

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

22 Insurance - assumptions and methods

The Company has four classes of business (as detailed in note 21(c)). All four classes are short tail in nature meaning that claims are typically settled within one year of being reported.

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.

22 Insurance - assumptions and methods (continued)

Actuarial assumptions

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

	31-Dec-13	31-Mar-13
Average weighted term to settlement from balance date	**5.4 mths**	5.2 mths
Expense rate	**23.0%**	23.0%

Process used to determine assumptions

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 process requires professional judgement due to variation from quarter to quarter due to the relatively small size of the portfolio.

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.

Inflation and discount rates

For outstanding claims liabilities the period between the valuation date and the settlement date of most claims is expected to be short and the increase in costs as a result of inflation is not likely to be material. The outstanding claims liabilities have not been 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.

23 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 December 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 22.

24 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 December 2013 was $Nil (31 March 2013: $Nil).

25 Contingencies

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

26 Related parties

(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. Fisher & Paykel Appliance Holdings Limited is a wholly-owned subsidiary of Haier New Zealand Investment Holding Company Limited, a subsidiary of Haier Group Corporation.

(b) Directors

The names of persons who were directors of the Company at any time during the period ended 31 December 2013 were as follows: C M da Silva; A A Macfarlane; H B Rennie, QC; D A Sullivan; and C G Wakefield.

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

C G Wakefield was appointed as a Director of the Company effective 1 October 2013.

(c) Transactions with related parties

(i) Net related party receivables/(payables)

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

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Commonly controlled entities		
Opening balance	**(1,287)**	191
Expenses paid by related party on Company's behalf	**(792)**	(1,100)
Overheads recharges	**(1,074)**	(1,538)
Management fee	**-**	(231)
Repayments	**3,411**	2,811
Other	**(5)**	(1,420)
Closing balance	**253**	(1,287)

Expenses and overheads including audit fees are recharged to the Company by Fisher & Paykel Finance Limited for expenses incurred on its behalf.

(ii) Other transactions

Other transactions with related parties are shown below:

	9 months 31-Dec-13 $000	12 months 31-Mar-13 $000
Dividends paid to parent	**2,200**	3,240
Insurance premiums collected by parent on behalf of Company	**2,335**	2,971
Insurance commissions paid to commonly controlled entities	**943**	1,274
Subvention payments to Fisher & Paykel Appliances Limited	**121**	2,879

On 15 January 2014 and 28 January 2014, the Company made subvention payments of $413,000 and $322,000 to Fisher & Paykel Appliances Limited.

27 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.

27 Capital risk management (continued)

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.

The tables below show the calculation of the solvency capital.

(a) Actual solvency capital

	31-Dec-13 $000	31-Mar-13 $000
Share capital	**7,500**	7,500
Retained earnings	**1,351**	2,039
Dividend (note 28)	**(300)**	-
Total tier one capital	**8,551**	9,539

(b) Mimimum solvency capital

	31-Dec-13 $000	31-Mar-13 $000
Capital charges		
Insurance risk	**339**	608
Catastrophe risk	**40**	40
Asset risk	**1,481**	370
Interest rate risk	**64**	66
Total capital charges	**1,924**	1,084
Mimimum solvency capital required *	**3,000**	3,000
Solvency Margin	**5,551**	6,539

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

28 Events occurring after the balance date

On 26 March 2014, the Directors of the Company resolved to pay a dividend of $300,000 to Consumer Finance Limited.

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 26, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 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.

We have no relationship with, or interests in, Consumer Insurance Services Limited other than in our capacities as auditors and providers of other assurance services. These services have not impaired our independence as auditors of the Company.

Independent Auditors' Report

Consumer Insurance Services Limited

Opinion

In our opinion, the financial statements on pages 4 to 26:

(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 December 2013 and its financial performance and cash flows for the period 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 period ended 31 December 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 Use of our Report

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 for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
26 March 2014

Auckland

MELVILLE JESSUP WEAVER

Towers Watson Alliance Partner

18 March 2014

Mr R Clark
Chief Financial Officer
Fisher & Paykel Finance Limited
Private Bag 94013
MANUKAU 2241

Dear Rhys

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 December 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 December 2013 (dated 18 March 2014) and supporting information, including their solvency calculations as at 31 December 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 December 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 December 2013 was used appropriately.

Simpl House 40 Mercer Street
PO Box 11330 Wellington 6142 New Zealand
T: 64 4 499 0277
wgtn@mjw.co.nz

www.mjw.co.nz

MELVILLE JESSUP WEAVER LIMITED

57 Fort Street
PO Box 4014 Auckland 1140 New Zealand
T: 64 9 300 7155
akld@mjw.co.nz

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 December 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 December 2013.

Yours sincerely

Craig Lough FNZSA
Appointed Actuary