Consumer Insurance Services Limited
Audited financial statements
for the year ended 31 December 2014

Directory

Principal business	Insurance services
Directors	C M da Silva (Chairman) H B Rennie, QC D A Sullivan C G Wakefield
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 year ended 31 December 2014.

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 24 for issue on 25 February 2015.

For and on behalf of the Board.

C M da Silva
Director

D A Sullivan
Director

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Statement of comprehensive income

For the year ended 31 December 2014

	Note	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Interest income	4	**444**	400
Premium income	5	**8,804**	7,098
Other income		**138**	44
Net other income		**8,942**	7,142
Net operating income		**9,386**	7,542
Insurance commission		**(2,345)**	(2,301)
Operating expenses	6	**(1,238)**	(1,773)
Net claims incurred	7	**(1,869)**	(1,369)
Total expenses		**(5,452)**	(5,443)
Profit before income tax expense		**3,934**	2,099
Income tax expense	9	**(1,102)**	(587)
Profit after income tax expense		**2,832**	1,512
Other comprehensive income net of tax		**-**	-
Total comprehensive income		**2,832**	1,512
Total comprehensive income is attributable to:			
Equity holders of Consumer Insurance Services Limited		**2,832**	1,512

Refer to note 1 for information on the change in balance date.

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

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Statement of financial position

As at 31 December 2014

	Note	31-Dec-14 $000	31-Dec-13 $000
Assets			
Cash at bank		**230**	184
Short term deposits	10	**10,135**	12,797
Related party receivable	24(c)(i)	**269**	253
Deferred acquisition cost	11	**665**	1,613
Dealer debtors and sundry debtors		**253**	486
Total assets		**11,552**	15,333
Liabilities			
Payables		**139**	354
Current tax liabilities		**93**	753
Outstanding claims liability	12	**533**	579
Unearned premium liability	13	**1,918**	4,344
Deferred tax liabilities	15	**186**	452
Total liabilities		**2,869**	6,482
Net assets		**8,683**	8,851
Equity			
Share capital	16	**7,500**	7,500
Retained earnings		**1,183**	1,351
Total equity		**8,683**	8,851

Refer to note 1 for information on the change in balance date.

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 24 for issue on 25 February 2015.

For and on behalf of Board.

C M da Silva
Director

D A Sullivan
Director

Statement of changes in equity

For the year ended 31 December 2014

		Attributable to equity holders of the Company		
	Note	Share capital $000	Retained earnings $000	Total equity $000
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	17	-	(2,200)	(2,200)
Total transaction with owners		-	(2,200)	(2,200)
As at 31 December 2013		7,500	1,351	8,851
As at 1 January 2014		7,500	1,351	8,851
Year ended 31 December 2014				
Profit after income tax expense		-	2,832	2,832
Total comprehensive income		-	2,832	2,832
Transactions with owners				
Dividends	17	-	(3,000)	(3,000)
Total transactions with owners		-	(3,000)	(3,000)
As at 31 December 2014		7,500	1,183	8,683

Refer to note 1 for information on the change in balance date.

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

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Statement of cash flows

For the year ended 31 December 2014

	Note	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Cash flows from operating activities			
Interest received		**507**	370
Insurance premium received		**7,250**	5,092
Claims paid		**(1,915)**	(1,482)
Payments to suppliers and employees		**(3,508)**	(2,655)
Subvention payments		**(2,026)**	(1,502)
Other income		**138**	18
Net cash inflow/(outflow) from operating activities		**446**	(159)
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	17	**(3,000)**	(2,200)
Net cash outflow from financing activities		**(3,000)**	(2,200)
Net decrease in cash and cash equivalents		**(2,554)**	(1,836)
Cash and cash equivalents at the beginning of the period		**12,884**	14,720
Cash and cash equivalents at end of period		**10,330**	12,884
Cash and cash equivalents at end of period comprise:			
Cash at bank		**230**	184
Short term deposits	10	**10,100**	12,700
		10,330	12,884
Reconciliation of profit after income tax to net cash outflow from operating activities			
Profit after tax for the period		**2,832**	1,512
Fair value gain financial assets at fair value through profit or loss		**26**	(25)
Movement in accrued interest		**37**	(5)
Movement in current tax		**(659)**	863
Movement in other assets		**1,165**	1,185
Movement in deferred tax liabilities		**(266)**	(396)
Movement in payables		**(2,689)**	(3,293)
Net cash inflow/(outflow) from operating activities		**446**	(159)

Refer to note 1 for information on the change in balance date.

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 pursuant to 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 is an issuer under section 4(1)(da) of the Financial Reporting Act 1993.

The Company is a profit-oriented entity.

These financial statements have been approved for issue by the Board of Directors on 25 February 2015.

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 prior 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. These financial statements are for the year ended 31 December 2014, comparative figures are for the nine months ended 31 December 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.

(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.

2 Summary of significant accounting policies (continued)

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 with original maturities of three months or less.

(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.

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.

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.

(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(s) 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 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 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 portfolio level where contracts that are subject to broadly similar risks are managed together as a single portfolio.

(j) Acquisition costs

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

Deferred acquisition costs are amortised in accordance with the expected pattern of risk under the 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.

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.

2 Summary of significant accounting policies (continued)

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) Offsetting

The Company does not apply offsetting. The Company does not have any material assets or liabilities which are subject to offsetting enforceable master netting arrangements or similar agreements.

(n) 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 period.

(o) New and amended standards adopted

The Company has adopted the following new and amended standards as of 1 January 2014:

- XRB A1 *Accounting Standards Framework* establishes a reporting framework for for-profit entities. The Company is a Tier 1 entity. The adoption did not have a material impact on the current or prior period financial statements; and

- *Amendments to NZ IFRS 7 Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities* require the disclosure of the effect or potential effect of enforceable netting arrangements and similar agreements on the Company's financial statements. The adoption did not have a material impact on the current or prior period 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* 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. This standard replaces part of NZ IAS 39 *Financial Instruments: Recognition and Measurement.*

  The new hedge accounting model prescribed by this standard more closely aligns hedge accounting with risk management activities. This standard requires the use of the expected credit losses model to calculate impairment losses. NZ IFRS 9 was issued in November 2009, December 2010, December 2013 and September 2014. This standard is effective for periods beginning on or after 1 January 2018. The Company has adopted the December 2013 version of NZ IFRS 9 early which includes the new hedge accounting requirements but excludes the expected credit losses model effective 1 January 2015. The September 2014 version of this standard is effective for periods beginning on or after 1 January 2018. The Company is in the process of assessing the potential effect of the September 2014 version and determining whether to adopt the standard early.

- NZ IFRS 15 *Revenue from Contracts with Customers* addresses recognition of revenue from contracts with customers. This standard replaces NZ IAS 18 *Revenue* and NZ IAS 11 *Construction Contracts.* It sets out a five step model for revenue recognition to depict the transfer of goods and services that reflects the consideration to which an entity is entitled to. This standard is effective for periods beginning on or after 1 January 2017. The Company is in the process of assessing the potential effect of this standard.

- Other interpretations and amendments are unlikely to have a material impact on the Company's financial statements and have therefore not been analysed.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and expectations of future events. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Outstanding claims liability

The estimated cost of claims includes direct expenses to be incurred in settling claims. IBNR claims may not be apparent to the Company until several months after the events. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques. Refer note 20.

4 Interest income

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Government securities	-	11
Short term deposits	470	364
Fair value (loss)/gains on financial assets	(26)	25
Total interest income	444	400

5 Premium income

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Gross written premiums	6,378	5,092
Movement in unearned premiums (note 13)	2,426	2,006
Premium income	8,804	7,098

6 Operating expenses

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Administration costs	(171)	235
Expense recharged from related parent (note 24(c)(i))	1,202	1,116
Expense recharged from commonly controlled party (note 24(c)(i))	93	-
Marketing	54	88
Operational	29	34
Pension costs - defined contribution plans	19	16
Professional and consultancy	56	91
Wages and salaries	8	77
Other	(52)	116
Total operating expenses	1,238	1,773

7 Net claims incurred

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Gross claims expense		
Risks borne in the current period	1,350	999
Reassessment of risks borne in previous periods	531	382
Other recoveries revenue		
Reassessment of risks borne in previous periods	(12)	(12)
Net claims incurred	1,869	1,369

8 Net underwriting result

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Analysis of insurance operating result		
Premium revenue	8,804	7,098
Gross claims expense	(1,881)	(1,381)
Other recoveries revenue	12	12
Net claims incurred	(1,869)	(1,369)
Acquisition costs	(2,345)	(2,301)
Other underwriting expenses	(328)	(530)
Expenses	(2,673)	(2,831)
Net underwriting result	4,262	2,898
Interest income	444	400
Operating surplus before income tax from insurance activities	4,706	3,298

9 Income tax expense

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
(a) Income tax expense		
Current tax	1,368	983
Deferred tax - temporary differences (note 15)	(266)	(396)
Total income tax expense	1,102	587
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	3,934	2,099
Tax at the New Zealand tax rate of 28.0% (31 December 2013: 28.0%)	1,102	587

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10 Short term deposits

Deposits are held to back general insurance liabilities and are stated at fair value through profit or loss. Included in fair value is principal of $10,100,000 (31 December 2013: $12,700,000).

11 Deferred acquisition costs

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Opening balance	1,613	3,027
Acquisition cost deferred	1,397	887
Amortisation charged to statement of comprehensive income	(2,345)	(2,301)
Closing balance	665	1,613
Current	515	1,069
Non-current	150	544
Total deferred acquisition costs	665	1,613

12 Outstanding claims liability

	31-Dec-14 $000	31-Dec-13 $000
(a) Outstanding claims liability		
Central estimate	395	436
Discount to present value	(7)	(6)
	388	430
Claims handling costs	91	95
	479	525
Risk margin	54	54
Gross outstanding claims liability	533	579
Gross claims incurred - undiscounted	540	585
Current	465	518
Non-current	68	61
Total	533	579

(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 December 2013: 75%).

	31-Dec-14 %	31-Dec-13 %
Risk margin applied		
Overall risk margin	12.5	12.7

12 Outstanding claims liability (continued)

(c) Reconciliation of movement in outstanding claims liability

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Opening balance	579	692
Incurred claims recognised in the statement of comprehensive income	1,869	1,369
Claim payments	(1,915)	(1,482)
Closing balance	533	579

(d) Claims development tables

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

13 Unearned premium liability

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Opening balance	4,344	6,350
Deferral of premiums	690	1,430
Earning of premiums	(3,116)	(3,436)
Closing balance	1,918	4,344
Current	1,485	2,879
Non-current	433	1,465
Total	1,918	4,344

14 Liability adequacy test

The liability adequacy test has identified a surplus for the Company's portfolio of insurance contracts. These contracts are subject to broadly similar risks and are managed together as a single portfolio.

	31-Dec-14 $000	31-Dec-13 $000
Unearned premium liability	1,918	4,344
Deferred acquisition costs	(665)	(1,613)
Net premium unearned liability	1,253	2,731
Central estimate of present value of expected future cash flows arising from future claims on contracts issued	616	1,576
Risk margin 16.1% (31 December 2013: 16.2%)	79	148
Present value of expected future cash flows for future claims	695	1,724
Net surplus	558	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 12(b). As with outstanding claims, the overall risk margin is intended to achieve 75% probability of adequacy.

15 Deferred tax liabilities

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
The balance comprises temporary differences attributable to:		
Deferred acquisition costs	186	452
Opening balance	452	848
Credited to income tax expense (note 9)	(266)	(396)
Closing balance	186	452
Current	144	298
Non-current	42	154
	186	452

16 Share capital

	31-Dec-14 Shares 000	31-Dec-13 Shares 000	31-Dec-14 $000	31-Dec-13 $000
Ordinary shares fully paid	7,500	7,500	7,500	7,500

At 31 December 2014 the total number of authorised shares was 7.5 million (31 December 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.

17 Dividends

On 27 September 2013 a dividend of 29.3 cents per fully paid share amounting to $2,200,000 was paid.

On 27 March 2014 a dividend of 4.0 cents per fully paid share amounting to $300,000 was paid.

On 31 July 2014 a dividend of 21.3 cents per fully paid share amounting to $1,600,000 was paid.

On 18 December 2014 a dividend of 14.7 cents per fully paid share amounting to $1,100,000 was paid.

18 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. Interest revenues may increase or decrease as a result of changes in market interest rates.

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.

18 Financial risk management (continued)

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 2014	Carrying amount $000	Profit after tax $000	Equity $000	Profit after tax $000	Equity $000
Financial assets					
Cash at bank	230	(2)	(2)	2	2
Short term deposits	10,135	(73)	(73)	73	73
Other financial assets	522	-	-	-	-
Financial liabilities					
Other financial liabilities	116	-	-	-	-
Total (decrease)/increase		(75)	(75)	75	75

		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
Short term deposits	12,797	(92)	(92)	92	92
Other financial assets	739	-	-	-	-
Financial liabilities					
Other financial liabilities	337	-	-	-	-
Total (decrease)/increase		(93)	(93)	93	93

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 2014					
Short term deposits	10,135	13	13	(13)	(13)
31 December 2013					
Short term deposits	12,797	18	18	(18)	(18)

18 Financial risk management (continued)

(b) Liquidity risk

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

ALCO 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 balance sheet liquidity ratios.

Maturity analysis

The tables below present the Company's cash flows by remaining contractual maturities at balance date. The amounts disclosed are the contractual undiscounted cash flows and therefore may not agree to the carrying values on the balance sheet.

	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 2014	$000	$000	$000	$000	$000	$000	$000
Financial assets							
Cash at bank	230	-	-	-	-	-	230
Short term deposits	1,100	9,099	-	-	-	-	10,199
Other assets	-	522	-	-	-	-	522
	1,330	9,621	-	-	-	-	10,951
Financial liabilities							
Other liabilities	-	116	-	-	-	-	116

	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
Short term deposits	1,200	11,693	-	-	-	-	12,893
Other assets	-	739	-	-	-	-	739
	1,384	12,432	-	-	-	-	13,816
Financial liabilities							
Other liabilities	-	337	-	-	-	-	337

18 Financial risk management (continued)

The tables below analyse the Company's cash flows from insurance assets and insurance liabilities by expected maturities at balance date.

31 December 2014	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	286	229	134	16	-	665
Insurance liabilities						
Outstanding claims liability	399	66	41	27	-	533
Unearned premium liability	824	661	386	47	-	1,918
	1,223	727	427	74	-	2,451

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

(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.
The Company is part of a Group which has a Credit Committee which oversees all aspects of credit risk assessment and management. The Credit Committee operates within formal credit policies and guidelines approved by the Board.

Maximum exposure to credit risk before collateral held or other credit enhancements

	31-Dec-14 $000	31-Dec-13 $000
Credit exposures relating to on-balance sheet assets:		
Cash at bank	**230**	184
Short term deposits	**10,135**	12,797
Other assets	**522**	739
	10,887	13,720

The above table shows the maximum credit risk exposure at 31 December 2014 and 31 December 2013.
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.

18 Financial risk management (continued)

(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 cash at bank, related party receivable, other assets, and payables approximate their fair values.

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

Level 1: inputs are quoted prices in active markets;

Level 2: fair values are estimated using present value or other valuation techniques using inputs that are observable; and

Level 3: fair values are estimated using inputs that are not observable.

The fair value of deposits held by the Company is calculated as the present value of estimated cash flows based on BKBM rates.

31 December 2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Short term deposits	-	10,135	-	10,135

31 December 2013	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Short term deposits	-	12,797	-	12,797

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

(e) Foreign exchange risk

As at 31 December 2014 the Company had no foreign currency exposure (31 December 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 $000	Total $000
At 31 December 2014			
Cash at bank	-	230	230
Short term deposits	10,135	-	10,135
Other assets	-	522	522
	10,135	752	10,887
At 31 December 2013			
Cash at bank	-	184	184
Short term deposits	12,797	-	12,797
Other assets	-	739	739
	12,797	923	13,720

18 Financial risk management (continued)

	Liabilities measured at amortised cost $000	Total $000
At 31 December 2014		
Payables	116	116
At 31 December 2013		
Payables	337	337

19 Insurance contracts - risk management policies and procedures

The general insurance business of the Company involves a number of non-financial 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.

(a) 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 (ii) investing its assets in accordance with Board approved treasury policy.

(b) Concentration of insurance risk

The Company is exposed to three classes of business: Goods Cover, Payment Protection Cover 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 2014, the Company offers two insurance products to a broad spread of consumers across New Zealand.

(c) Insurance company ratings

At 31 December 2013 and 31 December 2014 the Company had an insurer financial strength rating of "B++ (good)" and an issuer credit rating of "bbb+" from AM Best Company Limited. The outlook for both ratings is stable at 31 December 2014 (31 December 2013: Stable).

(d) 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 is a requirement of the Insurance (Prudential Supervision) Act 2010.

20 Insurance - assumptions and methods

The Company has three classes of business (as detailed in note 19(b)). All three classes are short tail in nature meaning that claims are typically settled within one year of being reported.

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.

Actuarial assumptions

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

	31-Dec-14	31-Dec-13
Average weighted term to settlement from balance date	**5.4 mths**	5.4 mths
Expense rate	**22.8%**	23.0%

20 Insurance - assumptions and methods (continued)

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.

21 Actuarial information

Melville Jessup Weaver 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 2014 was provided by MJW to the Company. 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 20.

22 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 2014 was $Nil (31 December 2013: $Nil).

23 Contingencies

There were no material contingent assets or liabilities at 31 December 2014 (31 December 2013: $Nil).

24 Related parties

(a) Parent entities

On 1 December 2014, all of the Company's shares were acquired by Fisher & Paykel Finance Holdings Limited from Consumer Finance Limited. Fisher & Paykel Finance Holdings Limited is 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 year ended 31 December 2014 were as follows: C M da Silva; H B Rennie, QC; D A Sullivan; and C G Wakefield.

(c) Transactions with related parties

(i) Net related party receivables

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

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Opening balance	**253**	(1,287)
Expenses paid by related party on Company's behalf	**(640)**	(750)
Overheads recharges	**(1,295)**	(1,116)
Repayments	**1,974**	3,411
Other	**(23)**	(5)
Closing balance	**269**	253

Expenses and overheads including audit fees are recharged to the Company by Fisher & Paykel Finance Limited for expenses incurred on its behalf. On 1 January 2015, the accounts payable and payroll functions for the Fisher & Paykel Finance Holdings Limited Group have transferred from Fisher & Paykel Finance Limited to Fisher & Paykel Finance Holdings Limited (refer to note 26). Fisher & Paykel Finance Holdings Limited will recharge expenses and overheads to the Company from transfer date.

(ii) Other transactions

Other transactions with related parties are shown below:

	12 months 31-Dec-14 $000	9 months 31-Dec-13 $000
Dividends paid to parent (note 17)	**3,000**	2,200
Insurance premiums collected by parent on behalf of Company	**2,888**	2,335
Insurance premiums collected by commonly controlled entity on behalf of Company	**256**	-
Insurance commissions paid to commonly controlled entities	**1,228**	943
Subvention payments to Fisher & Paykel Appliances Limited	**875**	121

25 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 shareholder; and
- to maintain a strong capital base to support the development of its business.

The level of capital is determined by the Board 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.

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25 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-14 $000	31-Dec-13 $000
Share capital	**7,500**	7,500
Retained earnings	**1,183**	1,351
Dividend	**-**	(300)
Total tier one capital	**8,683**	8,551

(b) Mimimum solvency capital

	31-Dec-14 $000	31-Dec-13 $000
Capital charges		
Insurance risk	**170**	339
Catastrophe risk	**40**	40
Asset risk	**1,333**	1,481
Interest rate risk	**60**	64
Total capital charges	**1,603**	1,924
Mimimum solvency capital required *	**3,000**	3,000
Solvency Margin	**5,683**	5,551

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

26 Events occurring after the balance date

Effective 1 January 2015, accounts payable and payroll processing for the Fisher & Paykel Finance Holdings Limited Group have transferred from Fisher & Paykel Finance Limited to Fisher & Paykel Finance Holdings Limited. The impact of this change on the Company is that expenses and overheads which were recharged to the Company from Fisher & Paykel Finance Limited are now be recharged from Fisher & Paykel Finance Holdings 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 24, which comprise the statement of financial position as at 31 December 2014, 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). 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 are independent of the Company. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the Company.

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Independent Auditors' Report

Consumer Insurance Services Limited

Opinion

In our opinion, the financial statements on pages 4 to 24:

(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 2014, 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 December 2014:

(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, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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
25 February 2015

Auckland

25 February 2015

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 2014. 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 2014 (dated 25 February 2015) and supporting information, including their solvency calculations as at 31 December 2014.

   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 2014 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 2014 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 December 2014 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 2014.

Yours sincerely

Craig Lough FNZSA
Appointed Actuary