

**CO-OPERATIVE LIFE
LIMITED**

Annual Financial Statements

For the Year Ended 31 March 2012

CO-OPERATIVE LIFE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 March 2012

| | Note | Mar-12 \$000 | Mar-11 \$000 |
|--|------|-----------------|-----------------|
| Insurance Premium Revenue | 1 | 5,878 | 5,474 |
| Reinsurance Recoveries | | 1,322 | 1,346 |
| Underwriting Income | | <u>7,200</u> | <u>6,820</u> |
| Claims | | (2,807) | (2,942) |
| Movement in Deferred Acquisition Costs | | 208 | 59 |
| Outwards Reinsurance Premiums | | (1,039) | (850) |
| Underwriting Expense | | <u>(3,638)</u> | <u>(3,733)</u> |
| Underwriting Profit | | 3,562 | 3,087 |
| Operating Expenses | 2 | (2,487) | (2,209) |
| Operating Profit before Investment Income | | 1,075 | 878 |
| Investment and Other Income | 3 | 745 | 642 |
| Net Profit before Taxation | | 1,820 | 1,520 |
| Taxation Benefit | 4 | 340 | 397 |
| Net Profit after Taxation | | <u>2,160</u> | <u>1,917</u> |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income | | <u>2,160</u> | <u>1,917</u> |

CO-OPERATIVE LIFE LIMITED
STATEMENT OF CHANGES IN RESERVES
For the Year Ended 31 March 2012


| | Mar-12 \$000 | Mar-11 \$000 |
|--|-----------------|-----------------|
| Opening Balance of Reserves | 9,107 | 7,190 |
| Total Comprehensive Income | 2,160 | 1,917 |
| Dividend Paid to The Co-operative Bank | (3,510) | - |
| Closing Balance of Reserves | <u>7,757</u> | <u>9,107</u> |

The Statement of Accounting Policies and Notes to the Financial Statements form part of, and are to be read in conjunction with these financial statements.

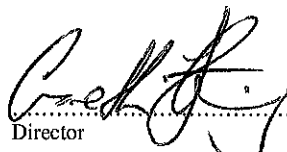
CO-OPERATIVE LIFE LIMITED
BALANCE SHEET
As at 31 March 2012

| | Note | Mar-12 \$000 | Mar-11 \$000 |
|--|------|-----------------|-----------------|
| Assets | | | |
| Cash | | 252 | 340 |
| Investment Securities | 5 | 10,955 | 13,633 |
| Trade and Other Receivables | 6 | 1,507 | 720 |
| Taxation Receivable from The Co-operative Bank | | <u>282</u> | <u>382</u> |
| Total Assets | | <u>12,996</u> | <u>15,075</u> |
| Liabilities | | | |
| Trade and Other Payables | 7 | 67 | 96 |
| Claims Provision | 8 | 847 | 913 |
| Net Policy Liabilities | 8 | 4,177 | 4,629 |
| Deferred Tax Liability | 4 | <u>148</u> | <u>331</u> |
| Total Liabilities | | <u>5,239</u> | <u>5,968</u> |
| Net Assets | | <u>7,757</u> | <u>9,107</u> |
| Reserves | | | |
| Retained Earnings | 9 | 6,257 | 7,607 |
| Share Capital | 10 | <u>1,500</u> | <u>1,500</u> |
| Total Reserves | | <u>7,757</u> | <u>9,107</u> |

Authorised for issue for and on behalf of the Directors on the 28 May 2012



 Director



 Director

The Statement of Accounting Policies and Notes to the Financial Statements form part of, and are to be read in conjunction with these financial statements.

CO-OPERATIVE LIFE LIMITED
STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2012

| | Note | Mar-12 \$000 | Mar-11 \$000 |
|---|------|-----------------|-----------------|
| Cash Flows from Operating Activities | | | |
| Premiums Received* | | 5,257 | 4,699 |
| Reinsurance Received | | 1,170 | 1,528 |
| Interest Income* | | 454 | 180 |
| Claims Expenses* | | (2,873) | (3,327) |
| Reinsurance Paid | | (1,039) | (850) |
| Other Expenses | | (2,517) | (2,120) |
| Net Cash Flow from Operating Activities before Changes in Operating Assets and Liabilities | | <u>452</u> | <u>110</u> |
| Receipt of Amounts owing from The Co-operative Bank | | - | 7,500 |
| Changes in Operating Assets and Liabilities | | <u>-</u> | <u>7,500</u> |
| Net Cash Flow from Operating Activities | 11 | 452 | 7,610 |
| Cash Flows from Investing Activities | | | |
| Cash inflow from the transfer of Loan Care from The Co-operative Bank | 8 | - | 4,945 |
| Investment Securities | | 2,970 | (12,215) |
| Net Cash Flow from Investing Activities | | <u>2,970</u> | <u>(7,270)</u> |
| Cash Flows from Financing Activities | | | |
| Dividend paid to The Co-operative Bank | | (3,510) | - |
| Net Cash Flow from Financing Activities | | <u>(3,510)</u> | <u>0</u> |
| Net Movement in Cash | | (88) | 340 |
| Opening Balance of Cash | | 340 | - |
| Closing Balance of Cash | | <u>252</u> | <u>340</u> |

*The March 2011 comparative figures for Premiums Received, Interest Income and Claims Expense now includes the amounts previously shown as Movement in Trade and Other Receivables and Movement in Insurance Net Policy Liabilities

The Statement of Accounting Policies and Notes to the Financial Statements form part of, and are to be read in conjunction with these financial statements.

CO-OPERATIVE LIFE LIMITED
STATEMENT OF ACCOUNTING POLICIES
For the Year Ended 31 March 2012

1 REPORTING ENTITY

Co-operative Life Limited ("the Company") is a profit-oriented entity incorporated in New Zealand under the Companies Act 1993 and registered under the Co-operative Companies Act 1996 on 17 October 2011. It is a wholly owned subsidiary of The Co-operative Bank Limited ("The Co-operative Bank"). The registered office is PSIS House, Corner Featherston and Ballance Streets, Wellington. On 26 October 2011, The Co-operative Bank Limited changed its name from PSIS Limited to The Co-operative Bank Limited following bank registration. Co-operative Life Limited also changed its name from PSIS Life Limited to Co-operative Life Limited on that date.

The Company's principal business activities include the provision and underwriting of life and trauma insurance which involves the acceptance of significant insurance risk. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The Company currently issues the Life Plus, Loan Plus and Loan Care insurance products.

2 ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") which complies with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards for profit-oriented entities. The Company's financial statements comply with International Financial Reporting Standards ("IFRS").

(b) Presentation Currency and Rounding

The reporting currency is New Zealand dollars and amounts have been rounded to the nearest thousand (\$000).

(c) Measurement Base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for the assets.

(d) Principles for Life Insurance Business

The life insurance operations are conducted in accordance with the Life Insurance Act 1908 and the Insurance (Prudential Supervision) Act 2010. The operations comprise the selling and administration of life insurance contracts. All contracts are non-investment linked. All business written is non-participating and all profits and losses are allocated to the shareholder.

Life insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness.

(e) Significant Accounting Judgements and Estimates

Management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors appropriate to the particular circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Significant accounting judgments and estimates made by management in the preparation of these financial statements are outlined below:

Estimation of Insurance Contract Liabilities

Insurance contract liabilities for life insurance contracts are computed using statistical or mathematical methods. These are made by suitably qualified personnel on the basis of recognised actuarial methods and principles. The methodology takes into account the risks and uncertainties of the particular life insurance business policies. Deferred policy acquisition costs are an offset to life insurance liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are:

- Mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;
- Discontinuance experience, which affects the Company's ability to recover the cost of acquiring new business over the lives of the contracts;
- The cost of providing benefits and administering these insurance contracts; and
- The discount rate applied to calculate the present value of future benefits.

In addition, factors such as regulation, inflation, interest rates, taxes, investment market conditions and general economic conditions also affect the level of these liabilities. Refer to note 8.

(f) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and that revenue can be reliably measured. The principal source of revenue is insurance premiums.

Insurance Premiums

Premium revenue is recognised from the inception date as soon as there is a basis on which it can reliably be estimated. Premium revenue is recognised in the profit or loss when it is earned in accordance with the pattern of incidence of risk expected under the insurance contract.

(g) Expense Recognition

All expenses are recognised in the profit or loss on an accrual basis.

Outwards Reinsurance Premiums

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

Claims

Insurance claims are recognised when a valid claim is received. The outstanding claim liability equals the sum insured of valid notified claims that have yet to be paid, plus a provision for claims not Incurred but Not Reported ("IBNR").

Life Insurance Acquisition Expenses

Policy acquisition costs are the fixed and variable costs of acquiring new business, including commission and underwriting costs.

Policy maintenance costs

Policy maintenance costs include all operating and management costs other than acquisition and investment management costs.

(h) Life Insurance Policy Liabilities

Policy liabilities for the single premium Loan Plus business have been calculated using the "accumulation" method. The result of using this method rather than the "projection" method required under NZ IFRS 4 is not materially different. These contracts have an average duration of approximately 1 year.

Policy liabilities for the Life Care and Life Plus business have been calculated using the projection method, with profits deferred over the life of the policy and emerging in proportion to the profit carrier. The profit carrier is gross life and trauma claims.

Policy liabilities for the Loan Care single premium policy have been determined using the projection method and the profit carrier is life claims.

The deferred acquisition costs are recognised in the Balance Sheet as a reduction of insurance contract liabilities and are amortised through the profit or loss over the expected duration of the relevant policies.

(i) Reinsurance and Other Recoveries Receivable

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

(j) Assets Backing Insurance Contract Liabilities

The Company has determined that all investment securities held in relation to insurance contracts are assets backing insurance contract liabilities.

CO-OPERATIVE LIFE LIMITED
STATEMENT OF ACCOUNTING POLICIES (Continued)
For the Year Ended 31 March 2012

(k) Measurement of Financial Instruments

(i) Financial Instruments

Financial instruments transactions are on a commercial basis to derive an interest yield/cost with the terms and conditions having due regard to the nature of the transaction and the risks involved. Financial assets are classified in the following categories at initial recognition:

Loans and Receivables

These are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Assets classified as loans and receivables include Trade and Other Receivables.

Fair Value Through Profit or Loss

These are measured at fair value with movements recognised in the profit or loss. Fair value movements do not include interest income. Assets classified in this category include investment securities, i.e. government stock, short term deposits, rated commercial papers, local government bonds and bank bonds.

(l) Taxation

Income tax on the net profit for the period comprises current and deferred tax. Income tax is recognised in Net Profit after Taxation except to the extent that it relates to items recognised directly with Other Comprehensive Income, in which case it is recognised directly in Other Comprehensive Income.

(i) Current Tax

Current Tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred Tax

Deferred Tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, Deferred Tax liabilities are recognised for all the taxable temporary differences. Deferred Tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred Tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred Tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by balance date. The measurement of Deferred Tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance date, to recover or settle the carrying amount of its assets and liabilities.

Tax losses are transferred to The Co-operative Bank through the intercompany account at the current tax rate.

(m) Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable, GST is recognised as part of the cost of the acquisition of the assets or as part of the expense item as applicable;
- Receivables and payables, are stated with the amount of GST included; and
- The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

(n) Statement of Cash Flows

The Statement of Cash Flows have been prepared using the direct approach.

The following are definitions of the terms used in the Statement of Cash Flows:

- Cash is considered to be cash held by the Company;
- Investing activities are those relating to the holding of short term deposits and other financial assets and the transfer of Loan Care from The Co-operative Bank;
- Financing activities are those activities which result in changes in size, composition and capital structure of the Company; and
- Operating activities include all transactions and other events that are not investing or financing activities.

CO-OPERATIVE LIFE LIMITED
STATEMENT OF ACCOUNTING POLICIES (Continued)
For the Year Ended 31 March 2012

(o) Changes in Accounting Policies and Estimates

There have been no material changes in accounting policies during the year. The following new standards, amendments and interpretations relevant to the Company have been adopted from 1 April 2011 and have been applied in the preparation of these financial statements. Adoption of these standards has not resulted in any change to the Company's reported results or financial position.

- Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010;
- NZ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments;
- NZ IAS 24 Related Party Disclosures; and
- Harmonisation Amendments and FRS-44.

(p) Comparative Financial Statements

The following change has been made to the comparative information in the Statement of Cash Flows. The Movement in Trade and Other Receivables and the Movement in Insurance Net Policy Liabilities that were previously disclosed have been reclassified to within Premiums Received, Interest Income and Claims Expenses. The amount reported as Net Cash Flow from Operating Activities remains unchanged.

(q) NZ IFRS Accounting Standards Not Yet Effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective.

(i) Initial application of the following Standards and Interpretations relevant to the Company is not expected to have any material impact on the financial report of the Company.

| Standard | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|--|
| NZ IFRS 7 Disclosures – Transfers of Financial Assets | 1 July 2011 | 31 March 2013 |
| NZ IFRS 7 Disclosures – Offsetting Financial Assets and Liabilities | 1 January 2013 | 31 March 2013 |
| NZ IFRS 13 Fair Value Measurements | 1 January 2013 | 31 March 2014 |
| NZ IAS 12 Income Taxes - Deferred Tax Amendment | 1 January 2012 | 31 March 2013 |
| NZ IAS 1 Presentation of Financial Statements - Amendments to presentation of Other Comprehensive Income | 1 July 2012 | 31 March 2014 |
| NZ IAS 32 Offsetting Financial Assets and Liabilities | 1 January 2014 | 31 March 2015 |

(ii) The initial impact of the following Standards on the financial report has not yet been assessed by the Company.

| | | |
|---|----------------|---------------|
| NZ IAS 27 Separate Financial Statements | 1 January 2013 | 31 March 2014 |
| IFRS 12 Disclosure of Interests in Other Entities | 1 January 2013 | 31 March 2014 |

(iii) However, Initial application of the following Standard is expected to have material impact on the financial report of the Company.

| | | |
|---------------------------------|----------------|---------------|
| NZ IFRS 9 Financial Instruments | 1 January 2013 | 31 March 2014 |
|---------------------------------|----------------|---------------|

NZ IFRS 9 introduces changes to the classification and measurement of financial instruments. It is not possible to estimate the impact this new Standard will have on future financial statements until the Company has assessed the various options available and taken into account the outcomes of the other related IAS-39 projects when these become available.

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

| | Mar-12 \$000 | Mar-11 \$000 |
|---|-------------------------|-------------------------|
| 1 Insurance Premium Revenue | | |
| Premiums Received | 5,635 | 4,975 |
| Movement in Unearned Premium Reserve | 243 | 499 |
| | <u>5,878</u> | <u>5,474</u> |
| 2 Operating Expenses | | |
| Acquisition Costs | (1,935) | (1,684) |
| Policy Maintenance Expense | (499) | (499) |
| Directors Fees | (6) | - |
| Other Operating Expenses | (47) | (26) |
| | <u>(2,487)</u> | <u>(2,209)</u> |
| The auditor of Co-operative Life Limited is Deloitte. The auditor's remuneration is paid by The Co-operative Bank on behalf of Co-operative Life. | | |
| Auditor's remuneration for auditing financial statements | - 2012 - 2011 | 10 4 10 - |
| 3 Investment and Other Income | Mar-12 \$000 | Mar-11 \$000 |
| Interest on Short Term Deposits | 218 | 40 |
| Interest on Government Stock | 77 | 78 |
| Interest on Bank and Local Government Bonds | 221 | 163 |
| Interest Received from The Co-operative Bank | - | 271 |
| Fair Value Movement on Investment Securities | 229 | 90 |
| Investment and Other Income | <u>745</u> | <u>642</u> |
| 4 Taxation | | |
| (a) Net Profit Before Taxation | <u>1,820</u> | <u>1,520</u> |
| Taxation at 28% (31 March 2011: 30%) | (510) | (456) |
| Non Assessable Income | - | 423 |
| Non Deductible Expenses | (27) | (285) |
| Impact of change in tax rate on deferred tax | - | 23 |
| Less Transitional adjustment for life insurance rules ¹ | <u>877</u> | <u>692</u> |
| Income Tax Benefit | 340 | 397 |
| Comprising: | | |
| Current Taxation | 157 | 382 |
| Deferred Taxation - current year | 58 | - |
| - prior year | <u>125</u> | <u>15</u> |
| | <u>340</u> | <u>397</u> |

The reduction in the corporate tax rate from 30% to 28% from 1 April 2012 has been taken into account on calculating the value of deferred tax as at 31 March 2011.

¹The transitional adjustment results from certain life insurance policies that, in most circumstances, will continue to be taxed under the previous tax rules for such policies despite changes in the taxation of life insurance that came into effect from 1 July 2010 for the Company. A similar transitional adjustment is likely to arise in each of the next four years for these policies.

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

| (b) Deferred Tax | Opening Balance | Change in Tax Rate charged to Profit or Loss | Charged to Profit or Loss | Closing Balance |
|---------------------------------------|--------------------|---|---------------------------------|--------------------|
| 31-Mar-12 | \$000 | \$000 | \$000 | \$000 |
| Gross Deferred Tax Liability: | | | | |
| Net Policy Liabilities | (373) | - | 207 | (166) |
| Gross Deferred Tax Assets: | | | | |
| Life Plus Trauma Liability | 20 | - | (20) | - |
| Income Received in Advance | 22 | - | (4) | 18 |
| Deferred Tax Asset/(Liability) | (331) | - | 183 | (148) |
| | | | | |
| 31-Mar-11 | \$000 | \$000 | \$000 | \$000 |
| Gross Deferred Tax Liability: | | | | |
| Net Policy Liabilities | (357) | 24 | (40) | (373) |
| Gross Deferred Tax Assets: | | | | |
| Life Plus Trauma Liability | 11 | (1) | 10 | 20 |
| Income Received in Advance | - | - | 22 | 22 |
| Deferred Tax Asset/(Liability) | (346) | 23 | (8) | (331) |

The deferred tax liability recognised in the current financial year will be realised in future years due to expected future taxable profit.

| | | | |
|--------------|--|-------------------|-------------------|
| 5 | Investment Securities | Mar-12 | Mar-11 |
| | | \$000 | \$000 |
| | Bank Bonds | 3,424 | 3,806 |
| | Government Stock | 1,403 | 1,258 |
| | Local Government Bonds | 4,079 | 1,994 |
| | Short Term Deposits with Registered Banks | 2,049 | 3,580 |
| | Rated Commercial Paper | - | 2,995 |
| | | <u>10,955</u> | <u>13,633</u> |
| 6 | Trade and Other Receivables | Mar-12 | Mar-11 |
| | | \$000 | \$000 |
| | Reinsurance Recoverable | 550 | 398 |
| | Intercompany Receivable | 957 | 322 |
| | | <u>1,507</u> | <u>720</u> |
| | There is no interest received or receivable with respect to Trade and Other Receivables. | | |
| 7 | Trade and Other Payables | Mar-12 | Mar-11 |
| | | \$000 | \$000 |
| | Trade payables | 6 | 18 |
| | Income received in advance | 61 | 78 |
| | | <u>67</u> | <u>96</u> |

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

8 Policy Liabilities: Methodology and Assumptions

Policy Liabilities comprise the following:

- For Life Plus and Loan Care policies, a best estimate of the net present value of the net future cash flows of each product, plus a profit margin which releases profits evenly over the term of the contract in proportion to the profit carriers. The deferred acquisition component of the policy liabilities is separately identified for purposes of calculating deferred tax;
- For Loan Plus policies the unearned premium, net of commission, amortised in a straight line over the term of the policy. The deferred acquisition cost component is separately identified for purposes of calculating deferred tax. The policy liability is subject to a liability adequacy test on best estimate assumptions; and
- A provision for notified claims, and claims incurred but not reported.

The key assumptions used in determining the policy liabilities are as follows:

Discount rates:

| | |
|------------|-------------------------------------|
| Life Plus: | 2.85% p.a. net of tax (2011: 4.05%) |
| Loan Plus: | 1.91% p.a. net of tax (2011: 1.86%) |
| Loan Care: | 2.31% p.a. net of tax (2011: 2.69%) |

Tax: 28% (2011: no change)

Mortality:

| | |
|------------|--|
| Life Plus: | 80% of NZ97 (mortality experience of NZ insured lives 1993-1997) with smoker / non-smoker adjustments, and selection adjustments (2011: no change) |
| Loan Plus: | 55% of NZ97 (2011: no change) |
| Loan Care: | 55% of NZ97 (2011: no change) |

Morbidity –Life Plus trauma: 90% of reinsurance rates (2011: no change)

Cancellation rates –Life Plus: Varying by age, 15% p.a. at age 25, reducing to 5% p.a. at age 65. (2011: no change)

| | |
|-------------------------|--|
| Surrenders – Loan Plus: | 30% per annum (2011: no change) |
| Surrenders – Loan Care: | Mortgages: 12.5% p.a. (2011: no change) Loans: 35% p.a. (2011: no change) |

Surrender values:

| | |
|------------|---|
| Loan Plus: | Issued prior to 24 August 2008: Pro-rata less fee (\$100) Issued on or after 25 August 2008: Rule of 78 less fee (\$100) |
| Loan Care: | Rule of 78 less 10% |

Administration costs:

| | |
|---------------------|--|
| Life Plus renewals: | \$24.30 per policy per annum (2011: \$18.64) |
| Loan Plus: | \$12.00 per policy per annum (2011: \$9.32) |
| Loan Care: | \$12.00 per policy per annum (2011: \$9.32) |
| Future inflation: | 2.00% per annum (2011: no change) |

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

8 Net Policy Liabilities (Continued)

Valuation method

Life Plus: Projection method

Profit carrier: Death plus Trauma claim cost (retained claims plus reinsurance costs).

Loan Plus: Accumulation method

Loan Care: Projection method

Profit carrier: Death claims

Co-operative Life Actuarial Information

The valuation of the policy liabilities as at 31 March 2012 has been calculated in accordance with NZ IFRS 4 and Professional Standard no.3 of the New Zealand Society of Actuaries. The actuarial valuation of the policy liabilities relating to the position at 31 March 2012 was dated 22 April 2012. The actuarial report was prepared by Peter Davies, B.Bus.Sc, FIA, FNZSA, who is satisfied with the nature, sufficiency and accuracy of the data. There were no qualifications in the actuarial report. Peter Davies is a professional adviser to the Company.

The actuary has calculated the prudential reserving requirement as at 31 March 2012 under Professional Standard no.5 of the New Zealand Society of Actuaries.

| | Prudential Reserve \$'000 | Assets \$'000 | Surplus / (Shortfall) \$'000 |
|---------------|------------------------------|------------------|---------------------------------|
| 31 March 2012 | 5,239 | 12,996 | 7,757 |
| 31 March 2011 | 5,968 | 15,075 | 9,107 |

Co-operative Life has been provisionally licensed under the Insurance (Prudential Supervision) Act 2010. Its solvency position in terms of the regulated standard has been calculated as follows:

Actual solvency capital: \$6,516,000

Minimum solvency capital: \$0 *

Solvency surplus: \$6,516,000

* Co-operative Life's published policy liabilities currently exceed prudential margins, hence the minimum solvency capital is zero.

Strategy for managing insurance risk

Portfolio of risks

The Company issues term life cover for individuals.

Risk strategy

In compliance with contractual and policy requirements, a strategy is in place to ensure that the risks underwritten should not adversely affect the Company's ability to pay benefits and claims when due. Continuous monitoring and improvement of the procedures in place is undertaken to minimise the chance of an adverse compliance or operational risk event occurring.

Reinsurance

To limit its exposure, the Company has its own reinsurance program in place. The Company sells business to external entities, either by surplus or quota share arrangements.

Claims management

Procedures exist for verification, assessment and payment of claims. Strict claims management procedures ensure the timely and correct payment of claims in accordance with policy and/or treaty conditions.

| | Mar-12 \$000 | Mar-11 \$000 |
|--|-----------------|-----------------|
| Net Policy Liabilities | | |
| Opening Balance | 5,542 | 1,540 |
| Purchase of Loan Care Fund | - | 4,945 |
| Movement in Potential Claims | (66) | (385) |
| Movement in Policy Liabilities | (244) | (499) |
| Movement in Deferred Acquisition Costs | (208) | (59) |
| Closing Balance | <u>5,024</u> | <u>5,542</u> |
| Made up of: | | |
| Deferred Acquisition Costs | (1,539) | (1,330) |
| Policy Liabilities | <u>5,716</u> | <u>5,959</u> |
| Net Policy Liabilities | <u>4,177</u> | <u>4,629</u> |
| Claims Provision | <u>847</u> | <u>913</u> |
| | <u>5,024</u> | <u>5,542</u> |

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

8 Net Policy Liabilities (Continued)

All unearned premiums are effectively on demand as any Members could cancel their policies at short notice.

Prior to 7 March 2012 Government Stock was required to be held to partially secure the net policy liabilities. Under the Insurance (Prudential Supervision) Act 2010, the Company is no longer required to hold this investment to secure these liabilities, as it falls under a more comprehensive regulatory regime with all of the assets in the statutory fund being held for the preferred benefit of policyholders.

Sensitivity Analysis

A sensitivity analysis has been completed using a 10% change to the demographic and expense assumptions identified earlier. No impact on net policy liabilities has been identified due to the fact that for Loan Plus as policy liabilities are subject to a loss recognition test and the policy liabilities exceed the central estimate of the present value of future net outflows by a significant margin for all products. While the central estimate of future policy outflows varies with changes in assumptions, the policy liabilities do not. The future performance of Co-operative Life insurance contracts is affected by actual experience differing from the valuation assumptions. For the Life Care, Life Plus and Loan Care business, there is sufficient profit margin in the policy liabilities to absorb any reasonable change in the assumptions, and the policy liability is therefore unaffected.

A further sensitivity analysis has been carried out, varying the discount rate by 1%. The policy liabilities for the Loan Plus business are unaffected by this change, due to this business being valued on the accumulation method. For the Life Care, Life Plus and Loan Care business the liabilities are affected as follows:

| | Discount rate (before tax) + 1% | Discount rate (before tax) - 1% |
|--------------------------|---------------------------------------|---------------------------------------|
| | \$000 | \$000 |
| Life Care and Life Plus: | (106) | 122 |
| Loan Care: | (79) | 83 |

9 Retained Earnings

| | Mar-12 \$000 | Mar-11 \$000 |
|---------------------------------|-----------------|-----------------|
| Opening Balance | 7,607 | 5,690 |
| Net Profit after Taxation | 2,160 | 1,917 |
| Dividend Paid to Parent Company | (3,510) | - |
| Closing Balance | <u>6,257</u> | <u>7,607</u> |

10 Share Capital

| | Number of Shares | Number of Shares |
|---|---------------------|---------------------|
| Fully paid shares issued to The Co-operative Bank Limited | 1,500,000 | 1,500,000 |

All shares rank equally and share equally in any surplus, dividends or share in winding up.

11 Reconciliation of Profit after Taxation with Net Cash Flow from Operating Activities

| | Mar-12 \$000 | Mar-11 \$000 |
|---|-------------------|---------------------|
| Net Profit after Taxation | 2,160 | 1,917 |
| Add/(Less) Non-Cash Items: | | |
| Investment Securities Capital Value | (5) | (6) |
| Deferred Tax | (183) | (15) |
| Fair Value Movement on Investment Securities | <u>(229)</u> | <u>(90)</u> |
| | (417) | (111) |
| Add/(Less) Movements in Assets/Liabilities: | | |
| Trade and Other Receivables | (820) | 6,590 |
| Tax Receivable from holding company | 100 | 164 |
| Net Policy Liabilities | (517) | (944) |
| Trade and Other Payables | <u>(30)</u> | <u>88</u> |
| | (1,267) | 5,898 |
| Add/(Less) other items classified as investing activities: | | |
| Increase/(Decrease) in Interest Accrued | <u>(24)</u> | <u>(94)</u> |
| | (24) | (94) |
| Net Cash Flow from Operating Activities | <u>452</u> | <u>7,610</u> |

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

| | Mar-12 | Mar-11 |
|---|---------------|---------------|
| | \$000 | \$000 |
| 12 Related Party Transactions | | |
| Amounts outstanding between the Company and related parties: | | |
| Receivable from The Co-operative Bank | 957 | 322 |
| Amounts owing from related parties are non-interest bearing | | |
| Transactions between the Company and related parties: | | |
| Transfer of Loan Care from The Co-operative Bank | - | 4,945 |
| Receipt of amounts owed by The Co-operative Bank | - | 7,500 |
| Dividend Paid to The Co-operative Bank | 3,510 | - |
| Income/Expenses occurred between the company and related parties: | | |
| Interest Income | - | 271 |
| Allocated Corporate Expense* | (499) | (499) |
| Commission Expense ** | (1,774) | (1,577) |

No related party transaction has been written off or forgiven during the year. All related party transactions are on an arm's length basis.

*Included within Policy Maintenance Expense

**Included within Acquisition Costs

13 Financial Instruments

Introduction

The Company is committed to the management of risk to achieve sustainability of service and profits, and therefore, takes on controlled amounts of risk when considered appropriate.

The primary financial risks are insurance, credit, liquidity, interest rate and operational risk.

The Co-operative Life Board of Directors are ultimately responsible for the review and ratification of the Company's systems of risk management, internal control, codes of conduct and legal compliance. The Board meets quarterly and receives reports including performance against agreed risk metrics. Risk systems and procedures are maintained and monitored by The Co-operative Bank under a management deed between it and the Company.

The Co-operative Bank's Board maintains a formal set of delegated authorities for The Co-operative Bank and its subsidiaries, including the Company. Credit and Treasury delegated authorities are contained within their respective policy documents. The Co-operative Bank's Board approves these delegated authorities on behalf of Co-operative Life.

The Co-operative Bank management formally reports on all aspects of key operational risks to the Co-operative Life Board at least four times each year, with Credit and Treasury risks reported monthly. In addition, the following management committees review and manage key risks:

- The Co-operative Bank Senior Leadership Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress; and
- The Co-operative Bank Assets and Liabilities Committee ("ALCO") meets weekly to consider, monitor and review exposure to interest rate risk, liquidity risk, and credit risk.

Insurance Risk

Insurance risk is the failure of product, design, product pricing, underwriting or claims management processes resulting in the cost of an insurance claim being higher than the planned cost. Key insurance risk metrics are measured against targets and reported to the Co-operative Life Board quarterly.

13 **Financial Instruments (Continued)**

Credit Risk

Credit risk is the potential risk of loss arising from the non-performance of a counterparty to a financial instrument or facility. The Company's credit risk relates predominately to wholesale (treasury) investments. The risk exposure is managed through a conservative "approved counterparty" policy and maximum credit limits which have been approved for each counterparty on the basis of:

- (i) Portfolio tier limits by credit rating;
- (ii) Individual tier limits by credit rating;
- (iii) Product category limits; and
- (iv) Term to maturity limits.

All credit risks are within New Zealand and all credit risk is denominated in New Zealand dollars.

Liquidity Risk

Liquidity risk is the risk that the Company does not have access to cash at the time the need for cash arises. Liquidity risk is managed with respect to:

- (i) The relative term to maturity of insurance treasury assets; and
- (ii) Compliance with regulated solvency margins as stipulated by regulation.

Liquidity management is delegated, under the management deed, to the Treasurer under the oversight of the ALCO.

Interest Rate Risk

Interest rate relates to the mismatch between the policyholder liabilities and the assets backing those liabilities. These mismatches could impact current period operating profits.

Interest rate risk is managed by the Company through a strategic asset allocation policy and an investment management policy that has regards to surrender and claims expectations and risks. Any breaches of interest rate risk limits are managed withing the treasury policy of The Co-operative Bank and reported the Co-operative Life Board quarterly.

Operational Risk

Operational risks are those arising from human error, system failures, inadequate procedures or controls and external events. The Co-operative Bank, under a management deed between it and Co-operative Life manages the Company's operational risks. Risks under management include systems, reputation, legal and regulatory, fraud, losses and physical asset protection and crisis management. Risks are reported to the Board of The Co-operative Bank on a monthly basis and remedial action taken where necessary.

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

13 (a) Interest Rate Repricing Schedule

The following tables include the Company's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| As at 31 March 2012 | Effective Int Rate % | Within 3 months \$000 | 3 - 6 Mths \$000 | 6-12 Mths \$000 | 1-2 Year \$000 | Over 2 Years \$000 | Non-Interest \$000 | Total \$000 |
|--|----------------------|-----------------------|------------------|-----------------|----------------|--------------------|--------------------|---------------|
| Assets | | | | | | | | |
| Cash | 2.5% | 252 | - | - | - | - | - | 252 |
| Investment Securities | 5.0% | 1,154 | 2,924 | 0 | 1,626 | 5,218 | - | 10,922 |
| Trade and Other Receivables | n/a | - | - | - | - | - | 1,507 | 1,507 |
| Taxation Receivable from the Holding Company | n/a | - | - | - | - | - | 282 | 282 |
| Total Assets | | 1,406 | 2,924 | - | 1,626 | 5,218 | 1,789 | 12,963 |
| Liabilities & Reserves | | | | | | | | |
| Trade and Other Payables | n/a | - | - | - | - | - | 67 | 67 |
| Claims Provision | n/a | - | - | - | - | - | 847 | 847 |
| Net Policy Liabilities | n/a | - | - | - | - | - | 4,177 | 4,177 |
| Deferred Tax Liability | n/a | - | - | - | - | - | 148 | 148 |
| Reserves | n/a | - | - | - | - | - | 7,757 | 7,757 |
| Total Liabilities & Reserves | | - | - | - | - | - | 12,996 | 12,996 |
| As at 31 March 2011 | | | | | | | | |
| | Effective Int Rate % | Within 3 months \$000 | 3 - 6 Mths \$000 | 6-12 Mths \$000 | 1-2 Year \$000 | Over 2 Years \$000 | Non-Interest \$000 | Total \$000 |
| Assets | | | | | | | | |
| Cash | 2.5% | 340 | - | - | - | - | - | 340 |
| Investment Securities | 6.0% | 7,495 | 200 | 617 | 1,979 | 3,342 | - | 13,633 |
| Trade and Other Receivables | n/a | - | - | - | - | - | 720 | 720 |
| Taxation Receivable from the Holding Company | n/a | - | - | - | - | - | 382 | 382 |
| Total Assets | | 7,835 | 200 | 617 | 1,979 | 3,342 | 1,103 | 15,075 |
| Liabilities & Reserves | | | | | | | | |
| Trade and Other Payables | n/a | - | - | - | - | - | 96 | 96 |
| Claims Provision | n/a | - | - | - | - | - | 913 | 913 |
| Net Policy Liabilities | n/a | - | - | - | - | - | 4,629 | 4,629 |
| Deferred Tax Liability | n/a | - | - | - | - | - | 331 | 331 |
| Reserves | n/a | - | - | - | - | - | 9,107 | 9,107 |
| Total Liabilities & Reserves | | - | - | - | - | - | 15,075 | 15,075 |

13 (b) Contractual Maturity Analysis

The following tables analyse the Company's assets and liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The tables include interest and principal cash flows, as well as the commitment to make amounts available in instalment. The total amount is different from the amount on the Balance Sheet. Such cash flows are undiscounted cash flows.

| As at 31 March 2012 | On Demand \$000 | Within 6 Months \$000 | 6-12 Months \$000 | 1-2 Years \$000 | Over 2 Years \$000 | No Maturity \$000 | Total \$000 |
|------------------------------------|-----------------|-----------------------|-------------------|-----------------|--------------------|-------------------|---------------|
| Assets | | | | | | | |
| Cash | 252 | - | - | - | - | - | 252 |
| Investments Securities | - | 6,223 | 122 | 1,745 | 3,441 | - | 11,531 |
| Trade and Other Receivables | - | 1,507 | - | - | - | - | 1,507 |
| Total Financial Assets | 252 | 7,730 | 122 | 1,745 | 3,441 | - | 13,290 |
| Liabilities | | | | | | | |
| Trade and Other Payables | - | 67 | - | - | - | - | 67 |
| Claims Provision | - | - | - | - | - | 847 | 847 |
| Net Policy Liabilities | - | - | - | - | - | 4,177 | 4,177 |
| Total Financial Liabilities | - | 67 | - | - | - | 5,024 | 5,091 |
| As at 31 March 2011 | | | | | | | |
| | On Demand \$000 | Within 6 Months \$000 | 6-12 Months \$000 | 1-2 Years \$000 | Over 2 Years \$000 | No Maturity \$000 | Total \$000 |
| Assets | | | | | | | |
| Cash | 340 | - | - | - | - | - | 340 |
| Investments Securities | - | 7,916 | 782 | 2,167 | 3,939 | - | 14,804 |
| Trade and Other Receivables | - | 720 | - | - | - | - | 720 |
| Total Financial Assets | 340 | 8,636 | 782 | 2,167 | 3,939 | - | 15,864 |
| Liabilities | | | | | | | |
| Trade and Other Payables | - | 96 | - | - | - | - | 96 |
| Claims Provision | - | - | - | - | - | 913 | 913 |
| Net Policy Liabilities | - | - | - | - | - | 4,629 | 4,629 |
| Total Financial Liabilities | - | 96 | - | - | - | 5,542 | 5,638 |

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

13 (c) Carrying Amount and Fair Value

| | 31-Mar-12 | | 31-Mar-11 | |
|---------------------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | \$000 | \$000 | \$000 | \$000 |
| Cash (i) | 252 | 252 | 340 | 340 |
| Investment Securities (i) (ii) | 10,955 | 10,955 | 13,633 | 13,633 |
| Trade and other Receivables (i) | 1,507 | 1,507 | 720 | 720 |
| Trade and Other Payables (i) | (67) | (67) | (96) | (96) |

Fair Value Assumptions

- (i) Cash, investment securities, trade and other receivables and trade and other payables are either fair valued or approximate fair value on the Balance Sheet. The fair value for instruments at amortised cost (including cash, trade and other receivables and trade and other payables) is determined by using discounted cash flow models incorporating market observable data for similar instruments. The fair value of investment securities is also determined using discounted cash flow models incorporating market observable data for similar instruments; and
- (ii) Securities are valued at the quoted prices in active markets for similar assets.

Fair value measurements recognised in the Balance Sheet

Under NZ IFRS 7, the fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

All financial instruments recognised on the balance sheet at fair value sit within level 2, other than Government Stock whose fair value sits within Level 1.

13 (d) Concentration of Credit Exposures

| | 31-Mar-12 | 31-Mar-11 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Registered Banks | 4,691 | 7,726 |
| Government, Local Authority and State Owned Enterprises | 5,481 | 3,252 |
| Other Corporate Investments | 1,002 | 2,995 |
| | <u>11,174</u> | <u>13,973</u> |

The credit exposures shown are based on actual credit exposures and are calculated net of allowances for impairment loss.

Peak end of day credit exposures:

| | During the year ended 31 March 2012 | | During the year ended 31 March 2011 | |
|------------------------------|-------------------------------------|-------|-------------------------------------|-------|
| | No. of Counterparties | | No. of Counterparties | |
| | Bank | Other | Bank | Other |
| Percentage of total reserves | | | | |
| 10% to 14% | 2 | - | 4 | - |
| 15% to 19% | 1 | - | - | - |
| 20% to 24% | - | - | 1 | - |
| 25% to 29% | 1 | - | - | - |
| 30% to 34% | 1 | - | 1 | - |
| 35% to 39% | - | - | 1 | - |

Peak end of day exposure is calculated by determining the maximum end-of-day aggregate amount of credit exposure over the financial period for individual counterparties, and then dividing that amount by the Company's Reserves at the reporting date.

CO-OPERATIVE LIFE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2012

13 (d) Concentration of Credit Exposures (continued)

| | As at 31 March 2012 | | As at 31 March 2011 | |
|------------|-----------------------|-------|-----------------------|-------|
| | No. of Counterparties | | No. of Counterparties | |
| | Bank | Other | Bank | Other |
| 10% to 14% | 4 | 1 | 3 | - |
| 15% to 19% | - | 1 | - | - |
| 20% to 24% | - | - | 1 | - |
| 25% to 29% | - | 2 | - | - |
| 30% to 34% | - | - | 1 | - |
| 35% to 39% | - | - | 1 | - |

The above tables have been compiled using gross exposures and do not include any guarantee arrangements.

All of the individual counterparties included in the above tables are registered banks, local government authorities and corporates who have a long term Standard & Poor's investment grade rating equivalent to A- or short term investment grading of A1 or above, or its equivalent.

14 Capital Commitments

As at balance date the Company had no capital commitments (31 March 2011: nil).

15 Contingent Liabilities

On 26 October 2011, The Co-operative Bank registered as a bank. Co-operative Life Limited guarantees the obligations of The Co-operative Bank to all depositors who were depositors before the time and date of bank registration. The guarantee does not apply to deposits made after the time and date of bank registration and will cease to apply to each deposit made prior to that time and date once the deposit matures and is either withdrawn or reinvested.

16 Subsequent Event

On 18 April 2012 Co-operative Life Limited entered into a binding contract to acquire certain assets and liabilities relating to the Loan Instalment Care business from Swann Insurance (NZ) Limited, a subsidiary of IAG.

On 16 May 2012 Co-operative Life Limited obtained a financial strength rating of B++ Outlook Stable and a credit rating of BBB+ Outlook Stable from A.M. Best Company.

On 28 May 2012 Co-operative Life Limited declared a dividend of \$1,995,000 to Co-operative Bank Limited (31 March 2011: \$3,510,000).



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CO-OPERATIVE LIFE LIMITED (FORMERLY PSIS LIFE LIMITED)**

Report on the Financial Statements

We have audited the financial statements of Co-operative Life Limited on pages 1 to 17, which comprise the balance sheet as at 31 March 2012, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are also the auditor of the Parent of Co-operative Life Limited, The Co-operative Bank Limited. Our firm carries out other assignments for The Co-operative Bank Limited in the areas of risk management and support to The Co-operative Bank Limited internal audit programme. In addition to this, principals and employees of our firm may also deal with The Co-operative Bank Limited on normal terms within the ordinary course of trading activities of the business of The Co-operative Bank Limited. The firm has no other relationship with, or interest in, The Co-operative Bank Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 1 to 17:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Co-operative Life Limited as at 31 March 2012, and its financial performance for the year ended on that date.



Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the Co-operative Life Limited for the period ended 31 March 2012:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Co-operative Life Limited as far as appears from our examination of those records.

Deloitte

Chartered Accountants
28 May 2012
Wellington, New Zealand