CO-OPERATIVE LIFE LIMITED

Annual Financial Statements

For the Year Ended 31 March 2016

CO-OPERATIVE LIFE LIMITED
INCOME STATEMENT
For the Year Ended 31 March 2016

	Note	Year Ended 31/03/2016 $000	Year Ended 31/03/2015 $000
Insurance Premium Revenue		10,342	9,051
Outwards Reinsurance Premium Expense		(1,394)	(1,307)
Net Premium Revenue		8,948	7,744
Investment Revenue	4	601	752
Net Revenue		**9,549**	**8,496**
Claims Expense		(2,938)	(2,153)
Reinsurance Recoveries Revenue		905	380
Net Claims Expense		(2,033)	(1,773)
Changes in Policy Liabilities	14	283	(94)
Other Operating Expenses	5	(4,613)	(3,993)
Total Operating Expenses		(4,330)	(4,087)
Profit before Tax		**3,186**	**2,636**
Income Tax Expense	6	(488)	(183)
Profit after Tax Attributable to Parent	7	**2,698**	**2,453**

The 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 COMPREHENSIVE INCOME
For the Year Ended 31 March 2016

	Year Ended 31/03/2016 $000	Year Ended 31/03/2015 $000
Profit after Tax	**2,698**	**2,453**
Items that may be Reclassified Subsequently to Profit or Loss		
Fair Value Movement on Available for Sale Investments	63	55
Income Tax Expense relating to Items that may be Reclassified	(18)	(15)
Other Comprehensive Income, Net of Tax	**45**	**40**
Total Comprehensive Income, Net of Tax	**2,743**	**2,493**
Total Comprehensive Income for the Period Attributable to Parent	**2,743**	**2,493**

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 March 2016

Equity at Beginning of Year	8,128	8,235
Profit after Tax Attributable to Parent	2,698	2,453
Other Comprehensive Income Attributable to Parent	45	40
Dividends Paid to Parent	(1,250)	(2,600)
Equity at End of Year	**9,621**	**8,128**
Retained Earnings		
Balance at Beginning of Year	6,590	6,737
Profit after Tax	2,698	2,453
Dividends Paid to Parent	(1,250)	(2,600)
Balance at End of Year	**8,038**	**6,590**
Available for Sale Reserve		
Balance at Beginning of Year	38	(2)
Fair Value Movement through Other Comprehensive Income	63	55
Tax through Other Comprehensive Income	(18)	(15)
Balance at End of Year	**83**	**38**
Share Capital		
Balance at Beginning of Year	1,500	1,500
Balance at End of Year	**1,500**	**1,500**
Total Equity	**9,621**	**8,128**

The 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 2016

	Note	31/03/2016 $000	31/03/2015 $000
Assets			
Cash and Cash Equivalents		323	319
Available for Sale Investments	8	5,328	4,187
Fair Value through Profit or Loss Investments	9	8,634	8,097
Receivables and Prepayments	10	529	220
Intangible Asset	11	174	283
Total Assets		**14,988**	**13,106**
Liabilities			
Trade and Other Payables	12	662	304
Outstanding Claims Provision	13	1,479	1,077
Life Insurance Net Policy Liabilities	14	3,147	3,430
Deferred Tax Liability	6	79	167
Total Liabilities		**5,367**	**4,978**
Net Assets		**9,621**	**8,128**
Equity			
Retained Earnings		8,038	6,590
Share Capital	17	1,500	1,500
Available for Sale Reserve		83	38
Total Equity		**9,621**	**8,128**

These financial statements were authorised for issue for and on behalf of the Directors on 25 May 2016.

Director

Director

The 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 2016

	Note	Year Ended 31/03/2016 $000	Year Ended 31/03/2015 $000
Cash Flows from Operating Activities			
Insurance Premium Revenue Received		10,342	9,113
Reinsurance Recoveries Revenue Received		601	439
Interest Income Received		519	552
Claims Expenses Paid		(2,536)	(2,310)
Reinsurance Premium Expense Paid		(1,394)	(1,307)
Other Expenses Paid		(4,745)	(4,163)
Net Cash Flows from Operating Activities	**18**	**2,787**	**2,324**
Cash Flows from Investing Activities			
Net Purchase of Investments		(1,533)	(871)
Net Cash Flows from Investing Activities		**(1,533)**	**(871)**
Cash Flows from Financing Activities			
Dividends Paid to Parent		(1,250)	(2,600)
Net Cash Flows from Financing Activities		**(1,250)**	**(2,600)**
Net Movement in Cash and Cash Equivalents		**4**	**(1,147)**
Opening Balance of Cash and Cash Equivalents		319	1,466
Closing Balance of Cash and Cash Equivalents		**323**	**319**
Reconciliation of Cash and Cash Equivalents:			
Cash at NZ Registered Banks		323	319
Total Cash and Cash Equivalents		**323**	**319**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

1. Statement of Accounting Policies

(1) Reporting Entity

Co-operative Life Limited ("the Company" or "Co-op Life") 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. The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

The Company is a wholly owned subsidiary of The Co-operative Bank Limited ("Co-op Bank" or "the Parent"). The registered office is 20 - 26 Ballance Street, Wellington.

The life insurance operations are conducted in accordance with the Life Insurance Act 1908 and the Insurance (Prudential Supervision) Act 2010. On 25 March 2013, the Company obtained its licence to carry on life insurance business in New Zealand under the Insurance (Prudential Supervision) Act 2010 from the Reserve Bank of New Zealand.

As at 31 March 2016 and up until the date of the signing the Financial Statements, Co-op Life had a financial strength rating of B++ (outlook stable) and an issuer credit rating of bbb+ (outlook stable) issued by A.M. Best Company Inc ("A.M. Best"). The financial strength rating and credit rating were re-affirmed by A.M. Best on 19 October 2015.

The Company's principal business activities are the provision and underwriting of life and trauma insurance which involves the acceptance of significant insurance risk. Life insurance contracts are 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 provides the Life Plus, Loan Plus, and Loan Instalment Care insurance products. The Loan Care discretionary fund was wound up on 21 March 2016, with all members of the fund being allocated individual Loan Plus policies. All insurance contracts written are non-investment linked and non-participating, with all profits and losses being allocated to the shareholder.

(2) Basis of Preparation

(a) Statement of Compliance

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 as applicable for profit-oriented entities. The Company's financial statements comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(b) Measurement Base

The financial statements have been prepared on a going concern basis in accordance with the historical cost concept, except for the revaluation of Available for Sale Investments and financial instruments designated at fair value through profit or loss which are recognised at fair value. Cost is based on the fair value of the consideration given in exchange for the assets.

Revenue, expenses and assets are reported in the financial statements net of the amount of Goods and Services Tax ("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 reported in the Balance Sheet with the amount of GST included.

(c) Functional and Presentation Currency and Rounding

The functional and presentation currency of the Company is New Zealand dollars and all amounts have been rounded to the nearest thousand dollars ($000), except where otherwise stated.

(d) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation. The comparative figures in the notes to the financial statements relating to these items have been reclassified accordingly.

2. Critical Estimates and Judgement used in Applying Accounting Policies

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of various accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. These are reviewed on an on-going basis. However actual results may differ from these estimates. The significant estimates and judgements used by the Company that have the most significant effect on the amounts recognised in the financial statements are set out below.

Estimation of Life Insurance Net Policy Liabilities

Life insurance contract liabilities are valued by an externally appointed actuary using actuarial models which are based on recognised actuarial methodologies, standards and principles. The methodologies take into account the risks and uncertainties of the particular life insurance business policies. Deferred policy acquisition costs are an offset to the life insurance contract liabilities and are equally sensitive to the factors that are considered in the liability measurement. The key factors that affect the estimation of the life insurance net policy liabilities 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;
- Claim continuance rates for Loan Instalment Care claims;
- 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 regulations, inflation, interest rates, taxes, investment market conditions and general economic conditions affect the level of the life insurance net policy liabilities. Changes in the key assumptions used in the actuarial models and projections of future cash flows could affect the value of the life insurance net policy liabilities reported in the financial statements. Refer to Note 14 for details of the life insurance net policy liabilities.

Estimation of Fair Value of Financial Instruments

The Company's financial instruments measured at fair value are stated in Note 3 (d)(i). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date in the principal, or in its absence, the most advantageous market to which the Company has access to at that date. The fair value of a financial liability reflects its non-performance risk.

In estimating fair value the Company uses, wherever possible, quoted market prices in an active market for the financial instrument. A market is active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. In the event that there is no active market for the instrument, fair value is based on present value estimates or other market accepted valuation techniques. Some of the inputs to the valuation models used require management judgement, such as determining the appropriate yield curves, counterparty credit spreads and other factors that would influence the fair value determined by a market participant. Changes in the assumptions used in these models and projections of future cash flows could affect the reported fair value of financial instruments. Refer to Note 8 and Note 9 for details of the financial instruments which are measured at fair value.

3. Significant Accounting Policies

(a) Income Recognition

Income is recognised to the extent that it is probable that economic benefits will flow to the Company and that the income can be reliably measured. The Company's principal sources of income are insurance premiums and reinsurance recoveries.

i. Insurance Premiums

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

ii. Reinsurance Recoveries

Reinsurance recoveries are recognised as revenue from the date the applicable claim is accepted and recognised as a liability. Reinsurance recoveries are measured at the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

3. Significant Accounting Policies Continued

(b) Expense Recognition

Expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

i. Outward Reinsurance Premiums

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

ii. Claims

Insurance claims are recognised as an expense when a valid claim has been received and accepted. The outstanding claims liability for the Loan Plus and Life Plus products equals the sum insured of valid notified claims that have yet to be paid. For the Loan Instalment Care business the outstanding claim liability equals the discounted present value of the estimated future payments of the insured benefit for the duration of disablement. For all insurance products an additional provision is held for claims Incurred But Not Reported ("IBNR") at the reporting date, which is calculated by Co-op Life's independent Appointed Actuary based on historical claims experience and actuarial statistical tables.

iii. Policy Acquisition Costs

Policy acquisition costs are the fixed and variable costs of acquiring new business, including commission and underwriting costs. Policy acquisition costs are initially recorded in profit or loss when the expense has been incurred, with any amounts to be deferred then taken to the Balance Sheet as a Deferred Acquisition Cost ("DAC") to be released over the life of the policy.

iv. Policy Maintenance Expenses

Policy maintenance costs are the costs of administering policies subsequent to sale and maintaining operations such that they are sufficient to service existing policies. These include all operating and management costs other than policy acquisition and investment management costs. Policy maintenance costs are recorded in profit or loss when the expense has been incurred.

(c) Income Tax

i. Income Tax Expense

Income tax on the net profit for the year comprises current and deferred tax and is based on the applicable tax law. The income tax expense is recognised in profit or loss except when it relates to items credited directly to equity, in which case it is recognised in Other Comprehensive Income.

ii. 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 year based on applicable tax rates and laws. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

iii. Deferred Tax

Deferred tax is accounted for using the comprehensive tax balance sheet 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.

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

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 applicable tax rates and laws. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3. Significant Accounting Policies Continued

(d) Assets and Liabilities

i. Financial Instruments Classification and Measurement

Financial instruments are transacted on a commercial basis to derive an interest yield/cost with terms and conditions that have due regard to the nature of the transaction and the risks involved. The Company classifies its financial instruments into the following categories at initial recognition:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Assets classified as loans and receivables include receivables and prepayments.

Fair Value through Profit or Loss Investments

Financial assets and financial liabilities in this category are either held for trading or managed with other assets and liabilities which are accounted for and evaluated on a fair value basis. Financial assets classified in this category include assets held backing insurance contract liabilities, such as term deposits, local government bonds and bank bonds.

Changes in the fair value of these financial instruments are recognised in profit or loss in the period in which they occur. The fair value gain or loss does not include interest earned and accrued on the financial assets, as this is recorded as part of interest income.

Available for Sale Investments

Available for sale investments are non-derivative financial assets that are designated as available for sale or are not classified as another category of financial assets. Available for sale investments are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Available for sale investments are initially measured at fair value, including transaction costs, and subsequently carried at fair value. Interest income is recognised in profit or loss using the effective interest method. Impairment losses are recognised directly in profit or loss. Other fair value changes, other than impairment losses, are recognised directly in Other Comprehensive Income and presented in the Available for Sale Reserve within Equity. When the financial asset is de-recognised or impaired, the cumulative gains or losses previously recognised in Other Comprehensive Income are reclassified in profit or loss. Financial assets classified in this category include short term deposits and commercial paper securities, which are used to manage liquidity and may be sold prior to maturity.

Other Financial Liabilities

Other financial liabilities include all financial liabilities other than those classified at fair value through profit or loss. Other financial liabilities are initially recognised at fair value, including direct and incremental transaction costs, and are subsequently measured at amortised cost. Financial liabilities classified in this category include trade and other payables.

ii. Recognition and Derecognition of Financial Instruments

The Company recognises a financial asset or financial liability on its Balance Sheet when the Company becomes a party to the contractual provisions of the financial asset or financial liability and cash is settled.

The Company derecognises a financial asset from its Balance Sheet when:

- The contractual rights to the cash flows from the financial asset expire; or
- The Company has transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or when it does not retain control of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract have been discharged, cancelled or have expired. Financial assets are subject to regular impairment review with impairment recognised in profit or loss when necessary.

3. Significant Accounting Policies Continued

iii. Assets Backing Insurance Contract Liabilities

The Company has determined that all financial assets held in relation to insurance contracts are Assets Backing Insurance Contract Liabilities. Such financial assets have been allocated to the Statutory Fund and are valued at fair value through profit or loss.

iv. Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses.

The intangible asset relates to the future profits to be earned from existing customers acquired in the acquisition of the Loan Instalment Care business from IAG New Zealand Limited in October 2012. This intangible asset is being amortised on a straight line basis over five years and is reviewed for impairment at each reporting date. Any impairment loss is recognised in profit or loss.

v. Life Insurance Net Policy Liabilities

Policy liabilities arising from insurance contracts are calculated by Co-op Life's independent Appointed Actuary, using the Margin on Service ("MoS") methodology in accordance with New Zealand Society of Actuaries Professional Standard 20: *Determination of Life Insurance Policy Liabilities.* Under the MoS methodology, profit comprises the following components:

- Planned Margins of Revenues over Expenses – at the time of writing a policy and at each reporting date, best estimate assumptions are used to determine all expected future payments and premiums.
- Difference between Actual and Assumed Experience – where actual experience replicates best estimate assumptions, the expected profit margin will be released to profit over the life of the policy. Experience profits or losses are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits or losses include variations in claims, expenses, mortality, discontinuance and investment returns.
- Changes to Underlying Assumptions – assumptions used for measuring policy liabilities are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the reporting date. The financial effect of changes to the assumptions underlying the measurement of policy liabilities made at the reporting date are recognised in the Statement of Comprehensive Income over the future reporting periods during which services are provided to policyholders. However if based on best estimate assumptions, written business is expected to be unprofitable, the total expected loss is recognised in the Statement of Comprehensive Income immediately. When loss making business becomes profitable previously recognised losses are reversed.
- Investment Earnings on Assets in Excess of Policy Liabilities – profits are generated from investment assets which are in excess of those required to meet policy liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profit will vary from year to year.

Profit margins are released over each financial period in line with the service that has been provided. The balance of the planned profits is deferred by including them in the value of policy liabilities. For further details of the actuarial assumptions used in these calculations, refer to Note 14.

The Life Insurance Net Policy Liabilities recorded in the Balance Sheet is the sum of the unearned premium reserve ("UPR"), net of the deferred acquisition costs ("DAC"). The DAC comprises the fixed and variable costs of acquiring new business, including commission and underwriting costs which is recognised in the Balance Sheet as a reduction in the insurance contract liabilities and is amortised through profit or loss over the expected duration of the relevant policies.

The outstanding claims liability comprises insurance claims recognised when a valid notified claim has been received and accepted which have not been settled at the reporting date. For the Loan Instalment Care business the outstanding claim liability equals the discounted present value of the estimated future payments of the insured benefit for the duration of disablement. For all products an additional provision is held for claims incurred but not reported at the reporting date.

3. Significant Accounting Policies Continued

(e) Other

(i) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach modified by the netting of certain items in order to provide more meaningful disclosure. Cash flows included in the Statement of Cash Flows are reported net of GST. The following are definitions of the terms used in the Statement of Cash Flows:

- Cash and cash equivalents comprises cash held at registered banks by the Company;
- Investing activities are those relating to the acquisition, holding and disposal of financial assets;
- 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.

(ii) Offsetting

Assets and liabilities are offset and the net amount presented in the Balance Sheet when the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented in the Statement of Comprehensive Income on a net basis only when permitted under NZ GAAP, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(iii) Changes in Accounting Policies and Application of New or Amended Accounting Standards

The accounting policies used by the Company are consistent with those used in previous periods. Management have considered amendments to NZ IFRSs applicable for the first time to Co-op Life for the year ended 31 March 2016, however they have had no impact to the Company's reported result or financial position.

(iv) NZ IFRS Accounting Standards Issued but not yet Effective

At the date of authorisation of the financial statements, one applicable accounting standard was on issue but not yet effective. The Company does not intend to apply this pronouncement until its effective date.

Standard	Effective for Annual Reporting Periods Beginning on or After	Expected to be Initially Applied in the Financial Year Ending
NZ IFRS 9: *Financial Instruments*	1 January 2018	31 March 2019

NZ IFRS 9 introduces changes to the classification and measurement of financial instruments which are expected to affect certain amounts recognised in the Company's financial statements.

4. Investment Revenue

	Year Ended 31/03/2016 $000	Year Ended 31/03/2015 $000
Interest on Available for Sale Investments	175	109
Interest on Fair Value through Profit or Loss Investments	339	424
Other Interest Income	8	20
Fair Value Gain on Investments	79	199
	601	**752**

5. Other Operating Expenses

Policy Acquisition Costs	883	576
Policy Maintenance Expenses	3,485	3,183
Director's Fees	10	6
Other Operating Expenses	126	119
Amortisation of Intangible Asset	109	109
	4,613	**3,993**
Fees Paid to Auditors		
Audit or Review of Financial Statements	24	24
Other Assurance Services	6	6
Total Fees Paid to Auditors	**30**	**30**

Auditor's remuneration is included within Other Operating Expenses above. The fees for the audit of the Company's financial statements and solvency return are paid by Co-op Bank on behalf of the Company.

6. Income Tax

(a) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit before Tax	3,186	2,636
Tax Expense at 28% (31 March 2015: 28%)	(892)	(738)
Transitional adjustment for life insurance tax rules[1]	404	555
Income Tax Expense	**(488)**	**(183)**
Comprising:		
Current Tax	(576)	(288)
Deferred Tax	88	105
Income Tax Expense	**(488)**	**(183)**

[1] The transitional adjustment relates to certain life insurance policies which were taxed under the previous tax rules for such policies, as permitted under the tax rules relating to life insurance that came into effect from 1 July 2010 for the Company. The final benefit from the transitional adjustment was recognised in March 2016.

6. Income Tax Continued

(b) Deferred Tax

31 March 2016	Opening Balance 1 April $000	Charged to Profit or Loss $000	Closing Balance 31 March $000
Gross Deferred Tax Liability:			
Net Policy Liabilities	(88)	58	(30)
Intangible Asset	(79)	30	(49)
Net Deferred Tax Liability	**(167)**	**88**	**(79)**

31 March 2015			
Gross Deferred Tax Liability:			
Net Policy Liabilities	(162)	74	(88)
Intangible Asset	(110)	31	(79)
Net Deferred Tax Liability	**(272)**	**105**	**(167)**

7. Analysis of Profit

	Year Ended 31/03/2016 $000	Year Ended 31/03/2015 $000
Planned Margins of Revenues over Expenses	1,223	1,259
Changes in Assumptions	(138)	(288)
Difference between Actual and Assumed Experience	1,320	986
Investment Earnings on Assets in Excess of Policy Liabilities	293	496
Profit after Tax	**2,698**	**2,453**

8. Available for Sale Investments

	31/03/2016 $000	31/03/2015 $000
Short Term Deposits with NZ Registered Banks	201	201
NZ Registered Bank Bonds	1,747	1,937
Local Government Bonds	644	742
Rated Corporate Commercial Paper	994	-
Listed Multilateral Development Banks and Other International Organisations	1,742	1,307
	5,328	**4,187**

9. Fair Value through Profit or Loss Investments

Short Term Deposits with NZ Registered Banks	604	1,307
Rated Corporate Commercial Paper	2,692	496
Local Government Commercial Paper	-	498
NZ Registered Bank Bonds	1,761	2,393
Local Government Bonds	2,067	2,094
Listed Multilateral Development Banks and Other International Organisations	1,510	1,309
	8,634	**8,097**

10. Receivables and Prepayments

	31/03/2016	31/03/2015
	$000	$000
Reinsurance Recoveries	500	195
Prepayments	29	25
	529	**220**

11. Intangible Asset

On 29 October 2012, the Company purchased the Loan Instalment Care ("LIC") business from IAG New Zealand Limited ("IAG") to add to the existing product portfolio underwritten by the Company. At acquisition date an intangible asset of $547,000 was recognised, representing the future profits to be earned from the existing customers acquired.

	31/03/2016	31/03/2015
Cost	$000	$000
Balance at Beginning of Year	547	547
Balance at End of Year	**547**	**547**
Accumulated Amortisation		
Balance at Beginning of Year	(264)	(155)
Amortisation Expense	(109)	(109)
Balance at End of Year	**(373)**	**(264)**
Net Book Value		
As at 31 March	**174**	**283**

12. Trade and Other Payables

Tax Payable to Parent	595	303
Payable to Parent	67	1
	662	**304**

13. Outstanding Claims Provision

Claims under Policies in the Process of Settlement	1,181	791
Claims Incurred But Not Reported	298	286
	1,479	**1,077**

14. Life Insurance Net Policy Liabilities

	Year Ended 31/03/2016 $000	Year Ended 31/03/2015 $000
Balance at 1 April	3,430	3,336
Movement for the Year	(283)	94
Balance at 31 March	**3,147**	**3,430**

Components of Life Insurance Net Policy Liabilities	31/03/2016 $000	31/03/2015 $000
Future Policy Benefits	57,406	51,671
Balance of Future Expenses	36,284	26,086
Planned Margins of Revenue over Expenses	11,735	18,537
Future Charges for Acquisition Costs	(2,774)	(2,283)
Deferred Tax Liability Element of Policy Liabilities	79	167
Balance of Future Revenues	(99,583)	(90,748)
	3,147	**3,430**

The Life Insurance Net Policy Liabilities recorded in the Balance Sheet is calculated at each reporting date by Co-op Life's Appointed Actuary and comprises of the following components:

- *Life Plus*: A best estimate of the net present value of the net future cash flows plus a profit margin, calculated using the projection method. This method defers profits over the life of the policy and releases them evenly over the term of the contract in proportion to the profit carriers. The profit carrier is life and trauma claims plus reinsurance costs. The DAC component of policy liabilities is separately identified for purposes of calculating deferred tax;
- *Loan Plus*: Unearned premium net of commission, calculated using the accumulation method and amortised on a straight line basis the term of the policy. The result of using the accumulation versus projection method under NZ IFRS 4: *Insurance Contracts* ("NZ IFRS 4") is not materially different as the Loan Plus contracts have an average duration of approximately 1 year. The DAC component is separately identified for purposes of calculating deferred tax. The policy liability is subject to a liability adequacy test on best estimate assumptions. On 21 March 2016, 241 longer-term Loan Plus policies were issued arising from the wind up of the Loan Care fund. Given the longer-term profile of these policies the Loan Plus valuation method will be changing to a projection method for future valuations. This change in valuation method is not expected to have any material impact on the value of policy liabilities;
- *Loan Instalment Care*: Unearned premium calculated using the accumulation method, representing the premium unearned up to the next premium due date. The result of using the accumulation method rather than the projection method under NZ IFRS 4 is not materially different as the Loan Instalment Care contracts have an average duration of approximately 2.5 years; and
- A provision for outstanding notified claims which have been accepted but not yet been paid, and claims incurred but not reported. For Loan Instalment Care claims, the outstanding notified claims provision is the discounted present value of the insured instalment for the duration of disablement, projected forward using a set of claim continuance assumptions.

Co-operative Life Actuarial Information

The actuarial valuation of policy liabilities as at 31 March 2016 has been calculated by Peter Davies, B.Bus.Sc, FIA, FNZSA, in accordance with NZ IFRS 4, issued by the External Reporting Board and Professional Standard no. 3: *Determination of Life Insurance Policy Liabilities*, issued by the New Zealand Society of Actuaries. Mr Davies is the externally Appointed Actuary for Co-op Life and is an independent professional adviser to the Company on insurance related matters. The actuarial valuation of the policy liabilities relating to the position at 31 March 2016 was dated 26 April 2016. Mr Davies has confirmed in his actuarial report that he is satisfied with the nature, sufficiency and accuracy of the data provided to him by Co-op Life for the purpose of his valuation. There were no significant changes to the actuarial methodology used in the 31 March 2016 valuation compared to the 31 March 2015 valuation and there were no qualifications in the actuarial report dated 26 April 2016. For future valuations, the valuation method for Loan Plus policies will change from an accumulation method to a projection method, with the opening profit margins calculated as at 31 March 2016.

14. Life Insurance Net Policy Liabilities Continued

The key assumptions used by the Appointed Actuary in calculating the policy liabilities at 31 March 2016 are set out below:

Discount and Inflation Rates:

Life Plus	2.08% p.a. net of tax (2015: 2.31%)
Loan Plus	1.58% p.a. net of tax (2015: 2.23%)
Loan Instalment Care open claims	2.19% p.a. gross of tax (2015: 3.10%)
Discount rate basis:	Swap rates (2015: Govt bond rates)
Inflation:	2% per annum (2015: no change)
Tax:	28% (2015: no change)

Mortality:
Life Plus Death cover was assumed 80% of NZ97 (2015: 80%), based on the Company's own experience, adjusted for the smoking status of lives insured; Loan Plus was assumed 55% of NZ97 (2015: 55%).

Morbidity:
Life Plus Trauma assumed at 90% of reinsurance rates (2015: 90%); Loan Instalment Care 25% of premiums (2015: 30%).

Cancellation Rates:

Life Plus cancellation rates vary from 5% to 16% dependent on the age of the policy holder and the recent and expected future experience of cancellations. Loan Instalment Care is based on 35% per annum (2015: 32%).

Surrender volume and values:

Loan Plus surrender volumes are based on a sliding scale which is modelled from actual experience adjusted for expected future experience. Loan Plus Surrender values are modelled from actual experience adjusted for expected future experience.

Administration Costs:

Life Plus renewals	$32 per policy per annum (2015: $27)
Loan Plus	$3 per policy per annum (2015: $14)
Loan Instalment Care	13% of premiums (2015: 10% of premiums)

15. Life Fund Reporting

Statutory Fund
On 1 July 2012, Co-op Life established a Statutory Fund in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010. The Statutory Fund gives priority to policy holders to the assets held in the Statutory Fund ahead of the claims of any other creditor, including any depositor with Co-op Bank who has the benefit of the guarantee from Co-op Life (refer to Note 26 for further details of the guarantee given by the Company to Co-op Bank).

All operating profits and losses generated by the Statutory Fund are retained within the Statutory Fund and distributions of these can only be made provided they comply with the requirements of the Insurance (Prudential Supervision) Act 2010 and the Insurance (Prudential Supervision) Regulations 2010. These requirements include receiving and having regard to Co-op Life's Appointed Actuary's written advice as to the likely consequences of any proposed distribution. A distribution of the Statutory Fund's retained profits must not be made if the distribution would have the result that Co-op Life would fail to maintain the minimum solvency margin in relation to the Statutory Fund.

15. Life Fund Reporting Continued

Profit and Loss disaggregated by life fund

	31 March 2016			31 March 2015		
	Statutory Fund $000	Shareholder Fund $000	Total $000	Statutory Fund $000	Shareholder Fund $000	Total $000
Net Premium Revenue	8,948	-	8,948	7,744	-	7,744
Investment and Other Income	378	223	601	496	256	752
Net Revenue	**9,326**	**223**	**9,549**	**8,240**	**256**	**8,496**
Net Claims Expense	(2,033)	-	(2,033)	(1,773)	-	(1,773)
Other Operating Expenses	(4,330)	-	(4,330)	(4,087)	-	(4,087)
Net Profit before Taxation	**2,963**	**223**	**3,186**	**2,380**	**256**	**2,636**
Net Profit after Taxation	**2,538**	**160**	**2,698**	**2,269**	**184**	**2,453**

Balance Sheet disaggregated by life fund

	31 March 2016			31 March 2015		
	Statutory Fund $000	Shareholder Fund $000	Total $000	Statutory Fund $000	Shareholder Fund $000	Total $000
Cash	129	194	323	199	120	319
Investment Assets	8,634	5,328	13,962	7,080	5,204	12,284
Other Assets	703	-	703	503	-	503
Total Assets	**9,466**	**5,522**	**14,988**	**7,782**	**5,324**	**13,106**
Other Liabilities	661	80	741	384	87	471
Outstanding Claim Provision	1,479	-	1,479	1,077	-	1,077
Life Insurance Net Policy Liabilities	3,147	-	3,147	3,430	-	3,430
Total Liabilities	**5,287**	**80**	**5,367**	**4,891**	**87**	**4,978**
Retained Earnings	4,179	3,859	8,038	2,890	3,700	6,590
Share Capital	-	1,500	1,500	-	1,500	1,500
Available for Sale Reserve	-	83	83	-	38	38
Total Equity	**4,179**	**5,442**	**9,621**	**2,890**	**5,238**	**8,128**

16. Solvency Margin

The Insurance (Prudential Supervision) Act 2010 requires registered life insurers to maintain a positive Solvency Margin for the Shareholder Fund and each Statutory Fund at all times. We have calculated the prudential solvency position as at 31 March 2016 in accordance with the Reserve Bank of New Zealand ("RBNZ") Solvency Standard for Life Insurance Business ("the Solvency Standard"). The solvency position for the Statutory Fund and the Shareholder Fund is summarised below:

	31 March 2016			31 March 2015		
	Statutory Fund	Shareholder Fund	Total	Statutory Fund	Shareholder Fund	Total
	$000	$000	$000	$000	$000	$000
Total Assets	9,466	5,522	14,988	7,782	5,324	13,106
Total Liabilities	(5,287)	(80)	(5,367)	(4,891)	(87)	(4,978)
Capital	4,179	5,442	9,621	2,891	5,237	8,128
Less Deductions	(3,125)	(500)	(3,625)	(1,453)	-	(1,453)
Actual Solvency Capital	1,054	4,942	5,996	1,438	5,237	6,675
Minimum Solvency Capital*	374	571	5,000	-	1,585	5,000
Solvency Margin	**680**	**4,371**	**996**	**1,438**	**3,652**	**1,675**
Solvency Ratio	**282%**	**865%**	**120%**	**n/a****	**330%**	**134%**

*A minimum solvency capital of $5m is required at a total fund level for Co-operative Life. As the sum of the Statutory and Shareholder Fund's minimum solvency capital is less than the regulatory requirement of $5m, the minimum solvency capital for Co-operative Life defaults to $5m. This means the Total Co-operative Life solvency column will not equal the total of the Statutory and Shareholder Fund columns.

** as minimum solvency capital is zero, a ratio is not determinable.

Co-op Life has guaranteed the obligations of Co-op Bank to all depositors who were depositors at the time and date of bank registration (26 October 2011). In May 2015, this allowance reduced to a level where it is now covered by the regulatory fixed capital requirement of $5.0 million. The full value of the remaining guaranteed deposits as at 31 March 2016 was $1,581,727 (31 March 2015: $6,471,437). This guarantee will cease on 25 September 2016 when the remaining deposits mature.

The Minimum Solvency Capital shown in the table above also includes a deduction for the $3.5 million dividend to be paid to Co-op Bank on 27 May 2016 (31 March 2015: $1.25 million). This will be transacted following a $3.0 million transfer of retained profits from the Statutory Fund to the Shareholder Fund.

Under the Solvency Standard, any dividend declared between the effective date of a solvency return to the RBNZ and the date that the return is filed needs to be reflected in the solvency return. Since the March 2016 solvency return will not be filed prior to the dividend being paid on 27 May 2016, the $3.5 million dividend has been deducted from Actual Solvency Capital at 31 March 2016. This resulted in the 31 March Solvency Margin reducing from $4.5 million to $1.0 million (31 March 2015: $2.9 million to $1.7 million).

17. Share Capital

	31/03/2016 Number of Shares '000	31/03/2015 Number of Shares '000
Opening Number of Fully Paid Issued Ordinary Shares	1,500	1,500
Closing Number of Fully Paid Issued Ordinary Shares	**1,500**	**1,500**

All fully paid ordinary shares rank equally and share equally in any surplus, dividends or share in winding up. All ordinary shares were issued for $1 per share.

18. Reconciliation of Profit after Tax with Net Cash Flows from Operating Activities

	Year Ended 31/03/2016 $000	Year Ended 31/03/2015 $000
Profit after Tax	2,698	2,453
Add/(Less) Non-Cash Items:		
Amortisation	109	109
Fair Value Movement on Investments	(79)	(193)
Movement in Deferred Tax	(88)	(105)
Movement in IBNR Claims Provision	12	(6)
Movement in Life Insurance Net Policy Liabilities	(283)	94
Changes in Working Capital Items:		
Receivables and Prepayments	(309)	117
Trade and Other Payables	340	14
Outstanding Claims Provision	390	(151)
Items Classified as Investing Activities:		
Interest on Investment Securities	(3)	(8)
Net Cash Flows from Operating Activities	**2,787**	**2,324**

19. Related Party Transactions

Transactions During the Year:		
Net receipt of monies from Co-op Bank	66	62
Dividends Paid to Co-op Bank	(1,250)	(2,600)
Policy Maintenance Expense Paid to Co-op Bank	(3,512)	(3,213)
Policy Acquisition Costs Paid to Co-op Bank*	(641)	(423)

Amounts Outstanding at Year End:	31/03/2016 $000	31/03/2015 $000
Payable to Co-op Bank (non-interest bearing)	(67)	(1)
Tax Payable to Co-op Bank (non-interest bearing)	(595)	(303)

**Commission expense for Loan Plus is classified as Policy Acquisition Costs as Loan Plus is a single premium product, and Policy Maintenance Expenses for all other products.*

The Company has no employees as its activities are managed by Co-op Bank in accordance with the Management Deed between the both parties. All income and expenses of the Company are initially received or paid by Co-op Bank on behalf of the Company and are settled regularly through the intercompany account.

No related party balances were written off or forgiven during the year ended 31 March 2016 (2015: Nil).

20. Financial Risk Management

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 Company's primary financial risks are insurance, credit, liquidity, interest rate and operational risk. There have been no material changes in the Company's policies for managing these risks during the financial reporting period.

The Co-op Life Board's policy is to maintain a strong capital base to protect policyholders' and creditors' interest and meet the regulatory requirements set out in the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand. The Company's Board of Directors is 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 Co-op Bank under a Management Deed.

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

Co-op Bank management formally reports on all aspects of key operational risks to the Company's Board of Directors at least four times each year, with credit and treasury risks reported monthly. In addition, the following Management Committees review and manage key risks:

(i) Co-op Bank's 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

(ii) Co-op Bank's 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-op Life Board on a quarterly basis. In compliance with contractual and policy requirements, a strategy is in place to ensure that the risks underwritten should not adversely affect Co-op Life's ability to pay benefits and claims when they fall due. To limit its exposure, Co-op Life has its own reinsurance programme in place where it cedes business to external entities, either by surplus or quota share reinsurance arrangements. Continuous monitoring of the procedures in place is undertaken to minimise the chance of an adverse compliance or operational risk event occurring.

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.

Concentration of insurance risk is managed by setting the underwriting acceptance criteria for Life Plus life and trauma cover so that they are progressively more extensive with higher covers and older ages and limiting the maximum cover offered by some key products. Policies are sold only to individuals where there is a reasonable diversification of geographic and work-place risk, rather than to employer-based or affinity-based schemes.

Sensitivity Analysis

A sensitivity analysis has been carried out, varying the discount rate used to value policy liabilities by 1%. The movement in policy liabilities for the Loan Plus and Loan Instalment Care business are unaffected by this change as they are valued using the accumulation method, which does not require discounting. For the Life Plus business the movement in policy liabilities that is recorded in the Income Statement are affected as follows:

	31 March 2016		31 March 2015	
	Discount Rate before Tax +1.0% $000	Discount Rate before Tax -1.0% $000	Discount Rate before Tax +1.0% $000	Discount Rate before Tax -1.0% $000
Life Plus	287	(341)	234	(278)
Loan Care	-	-	33	(34)

20. Financial Risk Management Continued

Further sensitivity analysis has been completed using a 10% change to the demographic and expense assumptions set out above. There is no impact on the net policy liabilities because the policy liabilities for Loan Plus and Loan Instalment Care are subject to a loss recognition test. Further the net policy liabilities for all products exceed the central estimate of the present value of future net outflows by a margin. While the central estimate of future policy outflows varies with changes in assumptions, the policy liabilities do not. The future performance of Co-op Life's insurance contracts is affected by actual experience differing from the valuation assumptions. For the Life Plus business, there is sufficient profit margin in the policy liabilities to absorb the change in the assumptions, and the policy liability is therefore unaffected.

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

- Portfolio tier limits by credit rating;
- Individual tier limits by credit rating;
- Product category limits; and
- Term to maturity limits.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting commitments associated with its financial liabilities. Liquidity risk is mitigated through:

(i) Managing the relative term to maturity of insurance treasury assets;
(ii) Investing in liquid, senior ranking securities; and
(iii) Compliance with regulated solvency margins as stipulated by regulation.

Liquidity management is delegated, under the Management Deed, to Co-op Bank's Treasurer under the oversight of the ALCO.

Interest Rate Risk

Interest rate risk 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 within the treasury policy of Co-op Bank and reported to the Company's Board of Directors quarterly.

Sensitivity Analysis

As at 31 March if interest rates on interest bearing assets had been 100 basis points higher or 100 basis points lower with all other variables held constant the impact on Profit after Tax and Equity would have been as follows:

	Interest Rates Increase by 100 Basis Points		Interest Rates Decrease by 100 Basis Points	
	2016	2015	2016	2015
	$000	$000	$000	$000
Effect on Profit after Tax	(167)	(180)	372	372
Effect on Equity	(56)	(93)	132	189

The effect of movements in interest rates on interest bearing assets is partially mitigated by the effect of movements in discount rates on policy liabilities, as discussed on page 19 of these Financial Statements. Interest rate risk on net interest income is hedged by interest rate swaps held by Co-op Bank.

20. Financial Risk Management Continued

Operational Risk

Operational risks are those arising from human error, system failures, inadequate procedures or controls and external events. Co-op Bank, under the Management Deed, 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 Co-op Bank on a monthly basis and remedial action taken where necessary.

21. Fair Value of Financial Instruments

Financial assets and financial liabilities are measured on an on-going basis either at fair value or amortised cost. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

The following tables summarise the carrying amounts and fair values of those financial assets and financial liabilities that are not presented at fair value in the Balance Sheet.

	Carrying Value 31/03/2016 $000	Fair Value 31/03/2016 $000	Carrying Value 31/03/2015 $000	Fair Value 31/03/2015 $000
Financial Assets				
Receivables	500	500	195	195
Total Financial Assets	**500**	**500**	**514**	**514**
Financial Liabilities				
Trade and Other Payables	662	662	304	304
Outstanding Claims Provision	1,181	1,181	791	791
Total Financial Liabilities	**1,843**	**1,843**	**1,095**	**1,095**

Fair Value Valuation Methodology

A number of financial instruments are carried on the Balance Sheet at fair value. The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where a quoted market price for an instrument is not available, the fair value is based on discounted cash flow models incorporating current market observable data for similar instruments or other valuation techniques based on current market conditions.

The following fair value hierarchy, as set out in NZ IFRS 13: *Fair Value Measurement*, has been used to categorise the inputs to valuation techniques used to measure the financial assets and financial liabilities which are carried at fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- 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 of the Company's financial instruments that are recognised and measured at fair value on a recurring basis sit within Level 2. The Company did not hold any financial instruments in the Level 3 category during the year ended 31 March 2016 (31 March 2015: Nil). There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 March 2016 (2015: Nil).

The Banking Group determines the valuation of financial instruments classified in Level 2 as follows:

Available for Sale Investments and Fair Value through Profit or Loss Investments

The fair values are estimated using present value or other market acceptable valuation techniques, using methods or assumptions that are based on observable market conditions and risks existing as at the reporting date.

22. Concentration of Credit Exposures

	31/03/2016 $000	31/03/2015 $000
NZ Registered Banks	4,636	5,839
Government, Local Authority and State Owned Enterprises	2,711	3,332
Listed Multilateral Development Banks and Other International Organisations	3,252	2,616
Other Corporate Investments	3,686	498
Receivables	500	195
	14,785	**12,480**

23. Interest Rate Sensitivity Gap Analysis

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

31 March 2016	Within 3 months	3-6 Months	6-12 Months	1 – 2 Years	Over 2 Years	Non-Interest Bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Cash and Cash Equivalents	323	-	-	-	-	-	323
Available for Sale Investments	753	898	355	1,046	2,276	-	5,328
Fair Value through Profit or Loss Investments	3,377	604	203	399	4,051	-	8,634
Receivables	-	-	-	-	-	500	500
Total Financial Assets	**4,453**	**1,502**	**558**	**1,445**	**6,327**	**500**	**14,785**
Trade and Other Payables	-	-	-	-	-	662	662
Outstanding Claims Provision	632	149	-	-	-	400	1,181
Total Financial Liabilities	**632**	**149**	-	-	-	**1,062**	**1,843**
Total Interest Rate Sensitivity Gap	**3,821**	**1,353**	**558**	**1,445**	**6,327**	**(562)**	**12,492**

31 March 2015	Within 3 months	3-6 Months	6-12 Months	1 – 2 Years	Over 2 Years	Non-Interest Bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Cash and Cash Equivalents	319	-	-	-	-	-	319
Available for Sale Investments	247	315	-	756	2,869	-	4,187
Fair Value through Profit or Loss Investments	2,386	162	1,365	605	3,579	-	8,097
Receivables	-	-	-	-	-	195	195
Total Financial Assets	**2,952**	**477**	**1,365**	**1,361**	**6,448**	**195**	**12,798**
Trade and Other Payables	-	-	-	-	-	304	304
Outstanding Claims Provision	92	93	26	150	-	430	791
Total Financial Liabilities	92	93	26	150	-	**734**	**1,095**
Total Interest Rate Sensitivity Gap	**2,860**	**384**	**1,339**	**1,211**	**6,448**	**(539)**	**11,703**

24. Contractual Maturity Analysis

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

31 March 2016	On Demand $000	Within 6 Months $000	6-12 Months $000	1 – 2 Years $000	Over 2 Years $000	No Maturity $000	Total $000
Cash and Cash Equivalents	323	-	-	-	-	-	323
Available for Sale Investments	-	1,736	419	1,110	2,256	-	5,521
Fair Value through Profit or Loss Investments	-	4,091	284	548	4,405	-	9,328
Receivables	-	500	-	-	-	-	500
Total Financial Assets	**323**	**6,327**	**703**	**1,658**	**6,661**	**-**	**15,672**
Trade and Other Payables	-	662	-	-	-	-	662
Outstanding Claims Provision	-	-	-	-	-	1,181	1,181
Total Financial Liabilities	**-**	**662**	**-**	**-**	**-**	**1,181**	**1,843**

31 March 2015	On Demand $000	Within 6 Months $000	6-12 Months $000	1 – 2 Years $000	Over 2 Years $000	No Maturity $000	Total $000
Cash and Cash Equivalents	319	-	-	-	-	-	319
Available for Sale Investments	-	636	72	883	2,922	-	4,513
Fair Value through Profit or Loss Investments	-	2,681	1,450	766	3,887	-	8,784
Receivables	-	195	-	-	-	-	195
Total Financial Assets	**319**	**3,512**	**1,522**	**1,649**	**6,809**	**-**	**13,811**
Trade and Other Payables	-	304	-	-	-	-	304
Outstanding Claims Provision	-	-	-	-	-	791	791
Total Financial Liabilities	**-**	**304**	**-**	**-**	**-**	**791**	**1,095**

25. Commitments

The Company had no capital or operating lease commitments as at 31 March 2016 (31 March 2015: Nil).

26. Contingent Liabilities

The Company has guaranteed the obligations of Co-op Bank to all depositors who were depositors at the time and date of bank registration (26 October 2011). The guarantee and therefore contingent liability decreases each month as the term deposits and capital notes mature. The full amount of the guarantee as at 31 March 2016 was $1,581,727 (31 March 2015: $6,471,437). This guarantee will cease on 25 September 2016 following the maturity of the remaining capital notes.

27. Subsequent Events

On 25 May 2016 Co-op Life Directors approved a dividend of $3.5 million to be paid to Co-op Bank on 27 May 2016. This will be transacted following a $3.0 million transfer of retained profits from the Statutory Fund to the Shareholder Fund.

Independent auditor's report

To the shareholder of Co-operative Life Limited

We have audited the accompanying financial statements of Co-operative Life Limited ("the company") on pages 1 to 23. The financial statements comprise the balance sheet as at 31 March 2016, the statements of comprehensive income, changes in equity and 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 shareholder as a body. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in the 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 shareholder as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the financial statements

The directors are responsible on behalf of the company for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the 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 responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. 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 company's preparation and fair presentation of the financial statements 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 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.

Our firm has also provided other services to the company in relation to audit related services associated with the solvency return. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Opinion

In our opinion, the financial statements on pages 1 to 23 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Co-operative Life Limited as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

25 May 2016
Wellington

Davies Financial and Actuarial Limited

26th April 2016

To: The Directors
Co-operative Life Limited

From: Peter Davies
Appointed Actuary

Re: Co-operative Life Limited: Report as at 31st March 2016 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for Co-operative Life Limited as at 31st March 2016. "Actuarial information" includes the following:

   - policy liabilities;
   - solvency calculations in terms of the RBNZ Solvency Standard;
   - balance sheet and other information allowed for in the calculation of the company's solvency position; and
   - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.

2. No limitations have been placed on my work.

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3. I am independent with respect to Co-operative Life Limited as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

4. I have been provided with all information that I have requested in order to carry out this review.

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

6. Co-operative Life Limited's solvency margin as at 31st March 2016 exceeded the minimum requirement of the RBNZ Solvency Standard for Life Insurance Business 2014, issued in terms of the Insurance (Prudential Supervision) Act. The Company's Statutory Fund, and its Shareholder fund, were each independently solvent at that date.

   I have carried out a 4-year projection of the Company's solvency position, which includes the payment of regular dividends out of future profits. The Company is projected to exceed the minimum RBNZ solvency requirements at all times over this period. While the legislation prescribes a 3-year projection period, the nature of the representations made to the RBNZ effectively require a 4-year forecast.

I would be very happy to answer any queries concerning this report.

Yours sincerely

Peter

Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary

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