Credit Union Insurance Limited

Financial Statements

for the year ended

30 June 2013

Credit Union Insurance Limited
Financial Statements 30 June 2013

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Directory

Nature of Business	Insurance Underwriters
Registered Office	Level 3 25 Teed Street Newmarket Auckland 1023
Location of Business	Level 3 25 Teed Street Newmarket Auckland 1023
Incorporation Number	1228808
IRD Number	85-937-081
Directors	S Scott — Chair M Blair — Deputy Chair R Anderson — *appointed September 2012* G Clouston H Lynch R Nicholls — Independent Director B Hancock — *deceased during the year*
Paid in Capital	17,250,000
Auditor	PricewaterhouseCoopers 188 Quay Street Auckland 1142
Bankers	New Zealand Association of Credit Unions 25 Teed Street Newmarket Auckland 1023
Solicitors	Bell Gully Vero Building 48 Shortland Street Auckland 1010

Independent Auditors' Report

to the shareholder of Credit Union Insurance Limited

Report on the Financial Statements

We have audited the financial statements of Credit Union Insurance Limited (the "Company") on pages 6 to 27, which comprise the statement of financial position as at 30 June 2013, the underwriting income statement, the underwriting and statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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

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Independent Auditors' Report

Credit Union Insurance Limited

Opinion

In our opinion, the financial statements on pages 6 to 27:

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

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company as at 30 June 2013, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2013:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

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

PricewaterhouseCoopers

Chartered Accountants
29 August 2013

Auckland

Credit Union Insurance Limited
Financial Statements 30 June 2013

UNDERWRITING INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Premium Income			
Gross Written Premium		5,329,138	4,180,158
Unearned Premium Movement	6	110,496	31,276
Gross Earned Premium		5,439,634	4,211,434
Reinsurance Premium Ceded		(226,499)	(193,044)
Net Earned Premium	3	**5,213,135**	**4,018,390**
Claims Expenses			
Claims	3	3,130,969	2,629,290
Movement in Outstanding Claims	3	(45,757)	(148,620)
Recoveries Received	4	(554,764)	(501,451)
Movement in Expected Third Party Recoveries	4	96,462	78,079
Total Claims Expenses		**2,626,910**	**2,057,298**
Other Expenses			
Acquisition Costs	5	709,404	423,169
Total Other Expenses		**709,404**	**423,169**
Total Expenses		**3,336,314**	**2,480,467**
Net Underwriting Income Profit		**1,876,821**	**1,537,923**

This statement should be read in conjunction with the accompanying notes.

Credit Union Insurance Limited
Financial Statements 30 June 2013

UNDERWRITING AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Income			
Other Income	9	578,884	673,938
Interest Income	8	158,174	85,869
Total Income		**737,058**	**759,807**
Expenses			
Depreciation	17	12,732	49,016
Amortisation	18	140,642	164,124
Employee Costs	10	705,936	692,278
Restructuring Costs		150,433	39,577
Administration and Operating Costs		1,005,121	716,391
Auditor Remuneration	11	74,491	54,512
Legal Fees		17,093	8,747
Loss on Sale of Assets		8,906	10,785
Total Expenses		**2,115,354**	**1,735,430**
Underwriting Income			
Life		106,213	-
Non-Life		251,120	-
Motor Vehicle		1,519,488	1,537,923
Total Underwriting Surplus		**1,876,821**	**1,537,923**
Net Operating Profit/(Loss) before Taxation		**498,525**	**562,300**
Income Tax Expense	12	-	-
Total Comprehensive Income Profit/(Loss) for the Year		**498,525**	**562,300**

This statement should be read in conjunction with the accompanying notes.

Credit Union Insurance Limited
Financial Statements 30 June 2013

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Share Capital $	Perpetual Preference Shares $	Capital Convertible Notes $	Accumulated Deficit $	Total $
Opening Balance - 1 July 2011	13,377,000	-	2,323,000	(13,603,140)	2,096,860
Capital Convertible Notes Redeemed	2,323,000	-	(2,323,000)	-	-
Capital Convertible Notes Issued	-	-	800,000	-	800,000
Interest Paid on Capital Convertible Notes	-	-	-	(133,549)	(133,549)
Total Comprehensive Profit / (Loss) after Tax	-	-	-	562,300	562,300
Closing Balance - 30 June 2012	15,700,000	-	800,000	(13,174,389)	3,325,611
Capital Convertible Notes Redeemed	800,000	-	(800,000)	-	-
Shares Issued	750,000	1,250,000	-	-	2,000,000
Interest Paid on Capital Convertible Notes	-	-	-	(60,000)	(60,000)
Dividends Paid on Perpetual Preference Shares	-	-	-	(31,589)	(31,589)
Total Comprehensive Profit / (Loss) after Tax	-	-	-	498,525	498,525
Closing Balance - 30 June 2013	17,250,000	1,250,000	-	(12,767,453)	5,732,547

This statement should be read in conjunction with the accompanying notes.

Credit Union Insurance Limited
Financial Statements 30 June 2013

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013 $	2012 $
Total Equity	13	**5,732,547**	**3,325,611**
Current Assets			
Cash and Cash Equivalents	14	7,767,352	3,107,034
Accounts Receivable	15	477,893	166,002
Expected Recoveries	4	233,574	330,036
Future Funded Premiums		1,550,536	1,602,889
Deferred Acquisition Costs	5	227,408	235,723
Prepaid Expenses		24,505	25,400
Tax Refund Receivable		62	62
		10,281,330	**5,467,146**
Non-current Assets			
Investments	16	-	522,640
Intangible Assets	18	238,684	229,228
Property, Plant and Equipment	17	23,369	22,421
Total Assets		**10,543,383**	**6,241,435**
Current Liabilities			
Bank Overdraft	14	1,063	1,329
GST Payable		23,635	6,113
Unearned Premium Liability	6	1,927,742	2,038,238
Outstanding Claims Liability	3	2,256,622	624,380
Accounts Payable	19	533,181	231,708
Reinsurance Payable		68,593	14,056
Total Liabilities		**4,810,836**	**2,915,824**
Net Assets		**5,732,547**	**3,325,611**

This statement should be read in conjunction with the accompanying notes.

These Financial Statements were authorised for issue by the Board of Directors on 29 August 2013 and were signed for on its behalf.

Director

Director

Credit Union Insurance Limited
Financial Statements 30 June 2013

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Cash Flows from Operating Activities			
Cash was received from:			
Premiums Received		5,221,838	3,885,690
Interest Received		164,922	92,565
Claims Recoveries		554,763	527,415
Other Income		571,682	673,938
Tax Refunds		17,522	174,808
		6,530,727	5,354,416
Cash was applied to:			
Claims Paid		3,130,969	2,629,290
Reinsurance Paid		171,962	312,381
Staff Costs		741,515	692,278
Acquisition Costs		720,623	483,390
Administration and Operating Costs		868,368	1,187,305
Restructuring Costs		150,433	39,577
		5,783,870	5,344,221
Net Cash Flow from Operating Activities	24	**746,857**	**10,195**
Cash Flows from Investing Activities			
Cash was received from:			
Proceeds from Sale of Government Stock		500,000	-
Payment for Insurance Claims Liability transferred		1,678,000	-
		2,178,000	-
Cash was applied to:			
Net Purchase of Intangible Assets and Property, Plant and Equipment		172,684	106,354
		172,684	106,354
Net Cash Flows from Investing Activities		**2,005,316**	**(106,354)**
Cash Flows from Financing Activities			
Cash was received from:			
Investment in Ordinary Shares		750,000	-
Investment in Perpetual Preference Shares		1,250,000	-
Investment in Capital Convertible Notes		-	800,000
Cash was applied to:			
Interest on Capital Convertible Notes		(60,000)	(133,549)
Interest on Perpetual Preference Shares		(31,589)	-
Net Cash Flow from Financing Activities		**1,908,411**	**666,451**
Net Increase/(Decrease) in Cash		**4,660,584**	**570,292**
Cash at the beginning of the year		3,105,705	2,535,413
Cash at the end of the year	14	**7,766,289**	**3,105,705**

This statement should be read in conjunction with the accompanying notes.

Credit Union Insurance Limited
Financial Statements 30 June 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1 GENERAL INFORMATION

Credit Union Insurance Limited (the "Company") provides insurance in New Zealand and is an issuer in terms of the Financial Reporting Act 1993 by the terms of the licence issued on 1 April 2013 by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010. It is a Company incorporated and domiciled in New Zealand. Its registered office is included within the Directory on page 3 of these financial statements.

Basis of Preparation

The financial statements of Credit Union Insurance Limited have been prepared and are presented in accordance with the Financial Reporting Act 1993. These financial statements have been prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards. These financial statements also comply with International Financial Reporting Standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting Policies

The financial statements are based on the general principles of historical cost accounting. The going concern concept and the accruals basis of accounting have been adopted. The accounting policies have been consistently applied by the Company for all the financial periods presented in these financial statements, except as amended for the changes required due to the adoption of the new and revised accounting standards as explained in part (a) Adoption of new and revised Standards and Interpretations.

Foreign Currency Translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in New Zealand Dollars, which is the Company's functional and presentation currency. All values have been rounded off to the nearest dollar ($) unless otherwise stated.

Foreign currency monetary assets and liabilities have been translated into the functional currency at the rate of foreign exchange ruling as at balance sheet date. Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction. Foreign exchange differences relating to monetary items and gains and losses arising from foreign exchange dealings by the Company are recognised in the Underwriting and Statement of Comprehensive Income.

Critical Judgements and Estimates in Applying the Accounting Policies

In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an ongoing basis.

The Directors believe that, as at the date of these Financial Statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. However, the Company does make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results.

Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of profit and financial position have been applied.

(a) Significant Accounting Policies Related to Insurance Contracts

The insurance products meet the definition of an insurance contract (a contract under which one party, the insurer, accepts significant risk form another party, the policyholder, by agreeing to compensate the policyholder if a specified uncertain future event, the insured event, adversely affects the policyholder) and none of the contracts contain embedded derivatives or are required to be unbundled.

(b) Income Attributable to Insurance Business

Premium revenue comprises amounts charged to policyholders and excludes fire service and earthquake levies collected on behalf of statutory bodies. The earned portion of premium received and receivable is recognised as revenue. Premium and commission revenue is recognised as earned from the date of attachment of risk (generally the date a contact is agreed to) over the period of the related insurance contract in accordance with the pattern of the risk expected under the contract. The unearned portion of premium is recognised as an unearned premium liability on the Statement of Financial Position.

(c) Reinsurance Expense

Premium ceded to reinsurers is recognised as an expense that is evenly spread from the date of attachment of risk to the end of the period of the reinsurance contract over the period of indemnity of the reinsurance contract.

(d) Claims

Claims for Life, Funeral Plan and Non-Life insurances are valued at the insured value.

For Motor Vehicle insurance, the estimation for outstanding claims liability is based on actual advised cost or, where final cost is uncertain, advice from independent professional assessors. These may be supplemented over the life of the claim by revisions, made by experienced claims staff as the claim develops. The estimates are reduced by actual claims payments made. A percentage factor is added to allow for claims that are closed at balance date but will be reopened. This is calculated by analysing past claims to determine the historical incidence of claims being reopened. An overhead and risk margin is added to arrive at the final liability estimate.

Claims expense represents claim payments adjusted for movement in the outstanding claims liability.

The estimation of the outstanding claims liability involves a number of key assumptions and is the most critical accounting estimate. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and employs external actuarial advice. However, given the uncertainty in establishing the liability, it is likely that the final outcome will be different from the original liability established. Changes in claims estimates impact profit or loss in the year in which the estimates are changed.

(e) Reinsurance and Other Recoveries

Reinsurance and other recoveries received or receivable on paid claims and on outstanding claims liabilities (notified and not yet notified) are recognised as income. Reinsurance does not relieve the originating insurer of its liabilities to policyholders.

(f) Liability Adequacy Test

The liability adequacy test is an assessment of whether the carrying amount of the unearned premium liability is adequate and is conducted at the reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under the current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability then the unearned premium liability is deemed to be deficient. Any deficiency arising from the test is recognised in the Underwriting and Statement of Comprehensive Income, with the corresponding impact on the Statement of Financial Position.

(g) Assets which back Insurance Liabilities

Ultimately all assets of the Company are available to back insurance liabilities.

(h) Property, Plant and Equipment

Assets are depreciated on a straight line basis at rates calculated to allocate the asset's cost, in equal instalments over their estimated useful lives which are assessed and regularly reviewed.

Assets are carried at historic cost value less depreciation. The useful lives attributed to various assets are:

Furniture, Fittings and Office Equipment up to 10 years

Computer Equipment 3 years

Motor Vehicles 4 years.

(i) Intangibles

Intangible assets represent software that is initially measured at cost. Following initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment losses.

Intangibles are amortised over their useful economic life as follows:

Software 3 years

(j) Impairment of Tangible and Intangible Assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Underwriting and Statement of Comprehensive Income.

(k) Financial Instruments

(a) Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The financial assets held by the Company at year end are classed as loans and receivables and financial assets at fair value through profit or loss (FVTPL).

(i) Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

(ii) Financial assets at FVTPL are stated at fair value, with any recognised gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

(iii) Impairment of financial assets
Financial assets measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such condition exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount. As at the date of these Financial Statements, no such evidence of impairment exists.

(b) Financial Liabilities

Financial liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost. Any discount or premium arising on settlement, including the direct fees incurred on set up, are amortised through the Underwriting and Statement of Comprehensive Income over the life of the contract using the effective interest rate.

(c) Derivatives

The Company does not use any derivative financial instruments and does not have any exchange rate exposure.

(d) Offsetting Financial Instruments

Financial assets and liabilities are not offset as there is no legally enforceable right to offset.

(l) Taxation

Current Tax

The income tax expense charged against the profit for the year is the estimated liability in respect of that profit. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets are offset only when there is a legally enforceable right to set off the recognised amounts, and an intention to settle on a net basis.

Deferred Tax

The liability method of accounting for deferred taxation is applied on a comprehensive balance sheet basis in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Underwriting and Statement of Comprehensive Income.

(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 from Inland Revenue in which case the 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, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

(n) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Underwriting and Statement of Comprehensive Income. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue is classified as operating cash flow. The following are definitions of the terms used in the Statement of Cash Flows:

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Cash flows are inflows and outflows of cash and cash equivalents.

Operating activities are the principal revenue producing activities of the entity and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings.

(o) Employee Benefits

Provision is made for benefits accruing to employees in respect of salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

(p) Basis of Measuring Income and Expenses

Income and expenses are accounted for on an accrual basis.

(q) Comparative Financial Statements

All accounting policies, except for those affected by the adoption of new standards, have been applied on bases consistent with prior years.

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease rentals/expenses are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are derived.

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining liability. Finance charges are charged directly against income. Finance lease assets are amortised on a straight line basis over the estimated useful life of the asset or the lease term whichever is shorter.

Present obligations arising under onerous leases are recognised and measured as provisions. An onerous lease is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(s) Accounting Standards adopted during the year

FRS 44 'New Zealand Additional Disclosures and Harmonisation Amendments' – effective for periods beginning on or after 1 July 2012.

FRS 44 sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Company's current disclosures.

The Harmonisation Amendments amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards. In addition, various disclosure requirements have been deleted. The Company has adopted FRS 44 and the Harmonisation Amendments for the year ended 30 June 2013.

No other new standards, amendments and interpretations to existing standards have been published and adopted by the Company for this financial year.

(t) New accounting standards and interpretations issued not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for Company's accounting periods beginning on or after 1 July 2012 or later periods, but the Company has not early adopted them.

NZ IFRS 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015)

NZ IFRS 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. NZ IFRS 9 replaces the multiple classification and measurement models in NZ IFRS 39 with a single model that has only two classification categories: amortised cost and fair value. The Company is yet to assess the full impact of NZ IFRS 9. It is intended to adopt this standard in the year ending 30 June 2016.

NZ IFRS 13 Fair Value Measurement (effective 1 January 2013)

NZ IFRS 13 was released in May 2012. NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Company has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the year ending 30 June 2014.

Revised NZ IAS 19 Employee Benefits (effective 1 January 2013)

The revised standard requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. Although the disclosures required are under consideration, the policy should have little effect on the results of the Company as there are no defined benefit liabilities owing to employees and no intention to terminate employees.

Credit Union Insurance Limited
Financial Statements 30 June 2013

3 UNDERWRITING RESULTS

	2013 $	2012 $
Life Insurance		
Gross Earned Premium	428,081	-
Reinsurance Premiums	-	-
Net Earned Premium	**428,081**	**-**
Gross Claims	167,850	-
Reinsurance Received	-	-
Net Claims	**167,850**	**-**
Commission	52,985	-
Underwriting Result	**207,246**	**-**
Credit Union Rebates	101,033	-
	106,213	**-**
Other Insurance		
Gross Earned Premium	1,008,226	-
Reinsurance Premiums	-	-
Net Earned Premium	**1,008,226**	**-**
Gross Claims	492,370	-
Reinsurance Received	-	-
Net Claims	**492,370**	**-**
Commission	213,451	-
Underwriting Result	**302,405**	**-**
Credit Union Rebates	51,285	-
	251,120	**-**
Motor Vehicle Insurance		
Gross Earned Premium	4,155,645	4,211,434
Reinsurance Premiums	(226,499)	(193,044)
Net Earned Premium	**3,929,146**	**4,018,390**
Gross Claims	1,966,690	2,057,298
Reinsurance Received	-	-
Net Claims	**1,966,690**	**2,057,298**
Commission	442,968	423,169
Underwriting Result	**1,519,488**	**1,537,923**
Total Insurance		
Net Earned Premium	**5,365,453**	**4,018,390**
Net Claims	2,626,910	2,057,298
Commissions	709,404	423,169
Underwriting Result	**2,029,139**	**1,537,923**
Credit Union Rebates	152,318	-
Insurance Claims, Commission and Rebates	**3,488,632**	**2,480,467**
Total Underwriting Result after Commission and Rebates	**1,876,821**	**1,537,923**

Claims Estimates and Risk Margin

The policy liabilities have been determined by Peter Davies B.Bus Sc., FIA, FNZSA.

The actuary is satisfied as to the accuracy of the data from which the policy liabilities have been determined. The actuary's report is based on data as at 31 May 2013. The Actuary's valuation was carried out in accordance with Professional Standards no. 3 and 4 of the New Zealand Society of Actuaries report and had no qualifications.

Life and Other

The Life and Other Insurance contracts consist of group schemes providing death, disability, redundancy, trauma and bankruptcy benefits on a unit rated basis, and a group scheme providing funeral benefits on the basis of individually rated premiums.
All covers are written on a basis of monthly premiums received at the end of the month. The policy liabilities comprise the following:

- A provision for claims incurred but not reported (IBNR), calculated separately for life insurance and LOANMINDER (disability, redundancy, trauma and bankruptcy cover products) respectively
- A provision for the remaining payments expected to be made on disability, redundancy, and bankruptcy claims that have been notified and remain open.

An additional risk margin is maintained in the claim provisions to ensure a greater than 50% likelihood of the sufficiency of the provisions. The actuary has recommended a risk margin of 10% (2012 : 10%), which provides a likelihood of sufficiency of 75% (2012 : 75%) with respect to the Other Non-Life insurance.

The IBNR provisions for death, disability, redundancy, trauma and bankruptcy claims respectively have been calculated using a chain ladder method applied to past claim reporting patterns, and the average size of claims incurred in the past.

The provision for open disability claims has been based on past claim termination patterns, applied to the insured benefit of notified claims. Claims provisions have been discounted using an interest rate of 2.85% per annum (2012 : 2.24%).

All pending trauma and redundancy claims have been provided for at their face value.

Motor Vehicle Insurance

The claims estimation process commences with the projection of the future payments relating to claims incurred at the reporting date. The expected future payments include those in relation to claims reported but not yet paid in full, claims incurred but not yet reported (IBNR) and claims closed that may be reopened.

The estimation of the outstanding claims liability is based on advice from independent professional assessors. These may be supplemented over the life of the claim by revisions, made by experienced claims staff as the claim develops. The estimates are reduced by actual claims payments made. A percentage factor is added to allow for claims that are closed at balance date but will be reopened. This is calculated by analysing past claims to determine the historical incidence of claims being reopened. An overhead and risk margin is added to arrive at the final liability estimate.

The IBNR provision is based on a conventional chain ladder method applied to the cost of claims reported to date in respect of each month of loss.

An additional risk margin is maintained in the claim provisions to ensure a greater than 50% likelihood of the sufficiency of the provisions. The actuary has recommended a risk margin of 8.5% (2012 : 8.5%), which provides a likelihood of sufficiency of 75% (2012 : 75%). The Board has elected to use a risk margin of 17% (2012 : 17%) which gives a 90% likelihood of sufficiency.
Insurance costs are subject to inflationary pressure over time. However the period between the valuation date and the settlement of most claims is relatively short so any increase in costs as a result of inflation is limited. Also, due to the short settlement periods the effect of discounting expected future payments is also limited and with these two elements being small and acting in opposite directions, both have been ignored.

Expected Recoveries Receivable is calculated by discounting the Recoveries ledger by a range of factors and then adding on an allowance to recognise that a portion of the Outstanding Claims Liability will also be recovered. The Recoveries ledger is divided into three categories; debts where liability is acknowledged and covered by other insurance companies, debts where the debtor has acknowledged liability and entered into a payment arrangement, and remaining debts where the liability is either disputed or no payment arrangement is yet entered into.

Recoveries Receivable from other insurers are not discounted. Receivables under payment arrangements are discounted by 20% and the balance of receivables are discounted by 50% to 100% depending on age.

At balance date a percentage of the Outstanding Claims Liability is added to the Expected Recoveries Receivable. The percentage is based on historical monies recovered against claims paid.

	2013 $	2012 $
Outstanding Claims Liability		
Life Insurance		
Opening Claims Liability	-	-
Liability acquired on transfer of business	70,000	-
Claims Expense	167,850	-
Claims Paid	(152,344)	-
Closing Claims Liability	**85,506**	**-**
Other Non-life Insurance		
Opening Claims Liability	-	-
Liability acquired on transfer of business	1,608,000	-
Claims Expense	492,371	-
Claims Paid	(433,934)	-
Closing Claims Liability	**1,666,437**	**-**
Motor Vehicle Insurance		
Opening Claims Liability	624,380	773,000
Claims Expense	2,424,990	2,480,670
Claims Paid	(2,544,691)	(2,629,290)
Closing Gross Claims Liability	**504,679**	**624,380**
Total Gross Outstanding Claims Liability	**2,256,622**	**624,380**
Motor Vehicle Expected Recoveries Receivable		
Opening Expected Recoveries	330,036	434,079
Increase in Expected Recoveries	458,302	423,372
Actual Third Party Recoveries Received	(554,764)	(527,415)
Closing Expected Recoveries	**233,574**	**330,036**
Total Net Outstanding Claims Liability	**2,023,048**	**294,344**

Outstanding claims are reported in the Statement of Financial Position as Outstanding Claims Liability and Expected Recoveries

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	2013 $	2012 $
Composition of Outstanding Claims Liability		
Life Insurance		
Outstanding Claims	15,506	-
IBNR	70,000	-
Closing Claims Liability	**85,506**	**-**
Other Non-life Insurance		
Outstanding Claims	1,253,822	-
Management Allowance - 8.5%	106,575	-
Risk Margin - 10%	136,040	-
IBNR	170,000	-
Closing Claims Liability	**1,666,437**	**-**
Motor Vehicle Insurance		
Outstanding Claims	284,675	368,879
Risk Margin - 17% (2012 - 17%)	48,395	62,709
Indirect Claims Management - 21% (2012 - 21%)	71,609	92,791
IBNR	100,000	100,000
Closing Gross Claims Liability	504,679	624,379
Closing Expected Recoveries	(233,574)	(330,036)
Motor Vehicle Insurance	**271,105**	**294,343**
Total Outstanding Claims Liability	**2,023,048**	**294,343**

Insurance Contract Risk Management

A key risk from operating in the insurance industry is exposure to insurance risk arising from underwriting insurance contracts. The insurance contracts transfer risk to the insurer by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The risk is that the actual claims to be paid in relation to contracts will be different to that estimated at the time a product was designed and priced. The Company is exposed to this risk because the price for a contract must be set before the losses relating to the product are known. Hence the insurance business involves inherent uncertainty. This risk is mitigated in the Other Non-life insurance products as all policies are monthly renewable and there is no effective contractual price risk.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount timing and uncertainty of cash flows arising from insurance contracts.

Solvency Requirements

(a) Capital Management Policies and Objectives

From the issuance of the Insurance Licence by the Reserve Bank of New Zealand ("RBNZ") on 1 April 2103, the Company is required to maintain an positive solvency margin as determined under the Solvency Standards for Life and Non-Life Insurance Business (the solvency standard) issued by the RBNZ. From the same date the Company is required to retain a minimum fixed capital of $5,000,000 and this is the minimum amount of Actual Solvency Capital that the Company is required to hold at all times.

The internal minimum solvency level is calculated as the higher of $5.5 million of actual capital and the amount prescribed by the following ratio calculated using the RBNZ's life and non-life standards:

- Regulatory minimum solvency requirement;
- a 25% safety margin which reflects the Company's overall risk profile.

Based on this formula, the Company's internal minimum solvency level is the higher of $5.5 million of actual capital and 125% of the minimum solvency capital amount as measured using the Reserve bank of New Zealand's life and non-life solvency standards. The Directors believe that this standard has been achieved.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the solvency standard.

(b) Capital Composition

The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used by the Company is total equity attributable to the owner. Total equity attributable to the owner equates to "capital" as defined in the solvency standard.

The Solvency Margin is calculated as actual solvency capital less minimum solvency capital and is as follows:

30 June 2013	**Combined** $
Actual Solvency Capital	5,493,863
Minimum Solvency Capital	5,000,000
Solvency Margin	493,863

Risk Management Objectives and Policies for Mitigating Insurance Risk

Risk management activities can be broadly separated into underwriting, claims management, reserving and investment management. The objective of these risk management functions is to enhance the longer term financial performance of the overall insurance operations. The key policies in place to mitigate risks arising from underwriting insurance contracts include the following:

Acceptance of Risk - the Company restricts its lines of business primarily to Company unit rated consumer credit insurance (Life and LOANMINDER), funeral plan and motor vehicle insurance. The consumer credit business is sold exclusively to the ultimate holding company's Member Credit Unions. Records of results and trends achieved for each seller of insurance for all lines of business are analysed carefully and sellers whose portfolios are returning unacceptable levels of risk either have their price adjusted accordingly or lose their right to sell policies for the Company.

Pricing - the primary lines of business are backed by historical underwriting results. This enables the Company's underwriters to calculate acceptable pricing and terms of cover.

Reinsurance - the Company does not maintain reinsurance cover on its Life and Other Non-life risks as its historical underwriting surpluses are such that in the Directors view there are sufficient underwriting surpluses being generated to be able to meet the obligations that would otherwise have been met by a catastrophe reinsurer. The Company has a reinsurance programme on the Motor Vehicle risks structured to adequately protect the Company's solvency and capital position. It covers third party property damage and own damage catastrophe single event protection. Through reinsurance the Company has been able to cap its maximum liability in the event of an accident to $100,000. This amount is well within the Company's reserves. The Company's reinsurer is Munich Re which has a credit rating of "AA-".

Claims Management - Claims are handled in-house by the Company's own claims department. Staff are allocated settling limits and authorities commensurate with their levels of experience. These authority limits are reviewed regularly. Overall authority and claims management is provided by the Insurance Manager who has over twenty years experience in the industry. Claims files are regularly audited on a random basis by independent staff.

Investment Management - all premium income is held in bank accounts and short term deposits with the commercial banks or New Zealand Association of Credit Unions.

Geographical Spread - the Company regularly analyses and reviews its geographical spread of risk to ensure its insurance operations are not overexposed in any one region.

Terms and Conditions of Insurance Contracts

The insurance contracts written are entered into on a standard form and on a monthly or annual payment basis. There are no special terms and conditions in any non standard contracts that would have a material impact on the financial report.

Credit Risk

Financial assets or liabilities arising from insurance contracts are presented on the Statement of Financial Position. These amounts best represent the maximum credit risk exposure at reporting date. The credit risk exposure on Life and Other insurance contracts relates exclusively to the New Zealand Association of Credit Unions' member credit unions. The credit risk relating to the Company's motor vehicle insurance contracts relates primarily to premium receivable which is due from credit union intermediaries.

Interest Rate Risk

The underwriting of the disability component of the LOANMINDER product creates an exposure to interest rate risk because the termination dates of the outstanding claims liability vary according to the term of the underlying loan or savings account. However this exposure has historically been low as approximately 90% of claims terminate within 12 months. The underwriting of life and motor vehicle insurance contracts creates no exposure to the risk that interest rate movements may impact the value of the outstanding claims liability. The outstanding claims liability is not discounted due to the very short term nature of the claims.

Operational Risk

Operational risk is the risk of financial loss (including lost opportunities) resulting from external events and/or inadequate or failed internal processes, people and systems. Operational risk is identified and assessed on an ongoing basis and the capital management strategy includes consideration of operational risk. Management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities.

Sensitivity Analysis

Sensitivity of risks relates primarily to the risk margin assessments which are set out above. These are reviewed annually and change in accordance with current best estimates using advice of the Company's Actuary. The financial impact of these sensitivity changes are:

	2013		2012	
	$	$	$	$
Sensitivity Calculations	**Balance**	**Sensitivity**	**Balance**	**Sensitivity**
Outstanding Claims Liability	1,916,622		524,380	
Reopening allowance 10% higher		3,000		5,000
Reopening allowance 10% lower		(3,000)		(5,000)
Claim estimates 10% higher		192,000		52,000
Claim estimates 10% lower		(192,000)		(52,000)
Administration costs 10% higher		20,000		8,000
Administration costs 10% lower		(20,000)		(8,000)
IBNR	340,000		100,000	
Claim reporting 10% longer		119,000		24,000
Claim reporting 10% quicker		(109,000)		(24,000)

Insurance Rating

The Company has a Financial Strength rating of 'BB' issued by Standard & Poors' on 27 February 2013.

4 EXPECTED RECOVERIES RECEIVABLE

	2013 $	2012 $
(a) Reconciliation of Movements for the Financial Year		
Opening Expected Recoveries	330,036	434,079
Increase in Expected Recoveries	458,302	423,372
Actual Third Party Recoveries Received	(554,764)	(527,415)
Closing Expected Recoveries	**233,574**	**330,036**

Expected Recoveries Receivable, which apply only to Motor Vehicle insurance, as stated in these financial statements are calculated by discounting the Recoveries ledger by a range of factors and then adding on the allowance to recognise that a portion of the Outstanding Claims Liability will also be recovered. The Recoveries ledger is divided into three categories; debts where liability is acknowledged and covered by other insurance companies, debts where the debtor has acknowledged liability and entered into a payment arrangement, and remaining debts where the liability is either disputed or no payment arrangement is yet entered into.

Receivables under payment arrangements are discounted by 20% and the balance of receivables are discounted by 50% to 100% depending on age.

At balance date a percentage of the Outstanding Claims Liability is added to the Expected Recoveries Receivable. The percentage used is based on historical monies recovered against claims paid.

(b) Reinsurance Programme

Motor risks underwritten are reinsured in order to limit exposure to losses, stabilise earnings, protect capital resources and ensure efficient control and spread of the risks underwritten. The Company buys reinsurance in two forms, motor third party property damage and motor own damage catastrophe single event protection.

The Board and senior management assess the Company's reinsurance programme based on identification of the Company's exposure and its ability to meet claims from its capital base.

5 DEFERRED ACQUISITION COSTS

Reconciliation of Movements for the Financial Year

	2013 $	2012 $
Opening Deferred Acquisition Costs	235,723	164,172
Acquisition Costs Paid	720,623	483,390
Acquisition Costs Released	(728,938)	(411,839)
Closing Deferred Acquisition Costs	227,408	235,723

Acquisition costs are commission costs and represent seller and agency commissions paid to third parties to acquire insurance policies. Commissions are paid up front upon receipt of premium and expensed over the life of the policy.

6 UNEARNED PREMIUM LIABILITY

(a) Reconciliation of Movements for the Financial Year

	2013 $	2012 $
Opening Unearned Premium Liability	2,038,238	2,069,514
Gross Written Premium for the Period Before Cancellations	5,928,364	4,904,868
Premiums Cancelled During the Year	(599,226)	(724,710)
Premiums Recognised During the Year	(5,439,634)	(4,211,434)
Closing Unearned Premium Liability	1,927,742	2,038,238

(b) Liability Adequacy Test

The Company's actuary has assessed the unexpired risk reserve in respect of in-force policies, comprising the expected claim cost for the period up to the next renewal date, and the cost of managing those claims and providing other administration services required to manage the policies over that time. The actuary's view is that the unexpired risk reserve in respect of in-force policies is approximately 17.0% (2012 : 4.0%) lower than the unearned premium provision. The conduct of the liability adequacy test identified a surplus at the level of 75% likelihood of sufficiency (2012: 75%). Accordingly there is no need to recognise any deficiency in the unearned premium provision.

7 INSURANCE PROVISIONS

The Company has a financial strength rating of "BB" issued by Standard & Poors'. The Company's reinsurance programme is structured to adequately protect the Company's solvency and capital position. It covers per risk and event losses in New Zealand on the Company's motor vehicle insurance book. The Counterparty reinsurer is Munich Re which has a credit rating of "AA-" in the reinsurance catastrophe programme.

8 INTEREST INCOME

	2013 $	2012 $
NZACU Call Account	87,216	70,251
Government Stock	32,500	24,641
Loss on Investments Measured at Fair Value	(15,891)	(9,028)
Interest on Deposits	54,349	5
TOTAL INTEREST INCOME	158,174	85,869

9 OTHER INCOME

	2013 $	2012 $
Insurance Management Fee	238,108	289,048
Monthly Funding Income	340,776	384,769
Other Income	-	121
TOTAL OTHER INCOME	578,884	673,938

10 EMPLOYEE COSTS

	2013 $	2012 $
Salaries	686,906	675,771
Other Staff Costs	19,030	16,507
TOTAL EMPLOYEE COSTS	705,936	692,278

11 AUDITOR REMUNERATION

	2013 $	2012 $
Auditor's Remuneration		
- Audit Fees to PricewaterhouseCoopers	38,750	31,270
- Other Fees to PricewaterhouseCoopers		
Taxation	13,705	9,108
Corporate Finance	3,250	-
Other Statutory Returns	3,786	-
	59,491	40,378
Services provided by other Auditing firms		
- Internal Audit Fees to Deloitte	15,000	-
- Internal Audit Fees to William Buck	-	14,134
TOTAL AUDITORS REMUNERATION	74,491	54,512

12 TAXATION

	2013 $	2012 $
Income Tax Recognised in Profit or Loss		
Profit before Taxation	498,525	562,300
Income Tax at Current Rate of 28%	139,587	157,444
Prior period adjustments	-	325
Interest on Capital Convertible Notes	(16,800)	(37,394)
Dividends on Perpetual Preference Shares	(8,845)	-
Non-Deductible Expenses	2,240	-
Utilisation of losses not previously recognised as deferred tax assets	(116,182)	(120,375)
TAXATION EXPENSE	-	-
Current Tax Assets		
Tax Refund Receivable	62	62
	62	62
Deferred Tax Balance		
Gross Deferred Tax Liabilities:		
Property, Plant and Equipment	-	(577)
Intangibles	(415)	(2,579)
Deferred Acquisition Costs	(63,674)	(66,002)
	(64,089)	(69,158)
Gross Deferred Tax Assets:		
Property, Plant and Equipment	2,294	-
Provision for Employee Entitlements	2,857	9,812
Other	400	2,064
Tax Losses Recognised	58,538	57,282
	64,089	69,158
Unrecognised Deferred Tax Balances		
The following deferred tax assets have not been brought to account as assets:		
Tax Losses	700,482	808,124
	700,482	808,124

Imputation Credit Account

The balance of the Imputation Credit Account at 30 June 2013 is $Nil (2012 : $Nil).

13 EQUITY

	2013 $	2012 $
Accumulated Deficit		
Balance at the Beginning of the Year	(13,174,389)	(13,603,140)
Interest Paid on Capital Convertible Notes	(60,000)	(133,549)
Dividends Paid on Perpetual Preference Shares	(31,589)	-
Total Comprehensive Income for the Year	498,525	562,300
Balance at the end of the Year	(12,767,453)	(13,174,389)
Capital		
Fully Paid Ordinary Share Capital -17,250,000 shares (2012: 15,700,000 shares)	17,250,000	15,700,000
Perpetual Preference Shares - 1,250,000 shares (2012: Nil)	1,250,000	-
Capital Convertible Notes - Nil Notes (2012: 800,000)	-	800,000
	18,500,000	16,500,000
Total Equity	5,732,547	3,325,611

The shares are fully paid up ordinary shares that do not have a par value.

During the year the Company received a capital increase to meet the minimum capital requirements of $5,000,000 of equity for the Insurance Licence granted by the Reserve Bank of New Zealand. On 1 April 2013, there was a conversion of all of the $800,000 of Capital Convertible Notes to Ordinary Shares. As at balance date the unconverted convertible capital notes totalled $Nil (2012: $800,000). Further on 1 April 2103, Ordinary Shares to a value of $750,000 and Perpetual Preference Shares to a value of $1,250,000 were issued and fully paid.

14 CASH AND CASH EQUIVALENTS

	2013	2012
	$	$
Cash and Bank Balances	352,352	57,034
Short Term Deposits	7,415,000	3,050,000
	7,767,352	3,107,034
Bank Overdraft	(1,063)	(1,329)
Balance at the end of the Year	7,766,289	3,105,705

15 ACCOUNTS RECEIVABLE

	2013	2012
	$	$
Trade Receivables	479,321	173,374
Provision for Insurance Policy Cancellations	(1,428)	(7,372)
Balance at Year End	477,893	166,002

16 INVESTMENTS

	2013	2012
	$	$
Government Stock 6.5% maturing 15 April 2013	-	522,640
	-	522,640

All investments are measured at fair value through profit or loss.

17 PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	$	$
Furniture, Fittings, Office Equipment and Vehicles		
Opening Cost at Beginning of Year	88,767	183,519
Additions	11,116	3,842
Disposals	(53,211)	(98,594)
Closing Cost at Year End	46,672	88,767
Opening Accumulated Depreciation at Beginning of Year	78,813	138,705
Depreciation Expense	2,019	35,268
Disposals	(45,179)	(95,160)
Closing Accumulated Depreciation at Year End	35,653	78,813
Net Book Value at Year End	11,019	9,954
Computer Equipment		
Opening Cost at Beginning of Year	107,464	751,698
Additions	10,596	9,321
Disposals	(79,187)	(653,555)
Closing Cost at Year End	38,873	107,464
Opening Accumulation Depreciation at Beginning of Year	94,997	659,526
Depreciation Expense	10,713	13,747
Disposals	(79,187)	(578,276)
Closing Accumulated Depreciation at Year End	26,523	94,997
Net Book Value at Year End	12,350	12,467
Total Carrying Amount at Year End	23,369	22,421

There were no impairment losses in respect of property, plant and equipment.

18 INTANGIBLES

	2013	2012
Computer Software	$	$
Opening Cost at beginning of Year	807,339	3,073,134
Additions	150,972	143,613
Intangibles Written Off	(225,335)	(2,409,408)
Closing Cost at Year End	732,976	807,339
Opening Accumulated Amortisation at Beginning of Year	578,111	2,822,295
Amortisation Expense	140,642	164,124
Intangibles Written Off	(224,461)	(2,408,308)
Closing Accumulated Amortisation at Year End	494,292	578,111
Net Book Value at Year End	238,684	229,228

19 ACCOUNTS PAYABLE

	2013 $	2012 $
Trade Payables	303,007	137,948
Employee Expenses Accrued	10,203	45,782
Other Accrued Expenses	219,971	47,978
	533,181	231,708

20 LEASES

	2013 $	2012 $
Non Cancellable Operating Lease Payments		
Lease Liabilities Commitments:		
Not Later than 1 Year	14,533	37,000
Later than 1 Year Not Later than 5 Years	-	12,333
Later than 5 Years	-	-
	14,533	49,333

21 CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding at balance date (2012: $Nil).

22 FINANCIAL INSTRUMENTS

Financial Risk Management Objectives

The New Zealand Association of Credit Unions provides services to the Company, including co-ordinating access to funding, a treasury function, providing banking facilities, and managing external banking relationships. The Company does not enter into or trade financial instruments for speculative purposes.

Capital Risk Management

The Company manages its capital resources to ensure that it will be able to withstand the assessed business and financial risks arising from operations. The level of capital investment is determined by reference to market norms and the requirements of external agencies such as rating agencies or regulators.

The Board of Directors and management of the Company regularly review the capital adequacy of the Company using the Reserve Bank of New Zealand's solvency standards to determine the Company's needs.

Financial Assets and Liabilities

The carrying amount to all financial assets and liabilities are considered to be equivalent to their fair value.

Financial Instruments by category

	2013 $	2012 $
Financial assets at fair value through the profit or loss		
Investments	-	522,640
Total assets at fair value through the profit or loss	-	522,640
Loans and receivables		
Cash and cash equivalents	7,767,352	3,107,034
Accounts receivable	477,893	166,002
Total loans and receivables	8,245,245	3,273,036
Total financial assets	8,245,245	3,795,676
Other financial liabilities at amortised cost		
Bank overdraft	1,063	1,329
Accounts payable	522,978	185,926
Reinsurance payable	68,593	14,056
Total other financial liabilities at amortised cost	592,634	201,311
Total financial liabilities	592,634	201,311

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Interest Rate Risk Management

Interest rate risk is the risk of loss to the Company arising from adverse changes in interest rates. This exposure in respect of Statement of Financial Position Assets and Liabilities depends on the degree of mismatch between the value of interest sensitive assets and liabilities. The risk is managed by investing on a short term basis as far as possible. The tables that follow show the relationship between interest sensitive financial assets and liabilities.

As at 30 June 2013	Average Interest Rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Non Interest Sensitive	Total
Assets								
NZACU Call Account	2.6%	2,915,000	-	-	-	-	-	2,915,000
Other Cash Balances	3.6%	4,852,352	-	-	-	-	-	4,852,352
Accounts Receivable		-	-	-	-	-	477,893	477,893
Investments		-	-	-	-	-	-	-
		7,767,352	-	-	-	-	477,893	8,245,245
Liabilities								
Bank Overdraft	8.8%	1,063	-	-	-	-	-	1,063
Accounts Payable		-	-	-	-	-	522,978	522,978
Reinsurance Payable		-	-	-	-	-	68,593	68,593
		1,063	-	-	-	-	591,571	592,634
On Balance Sheet Interest Sensitivity Gap		7,766,289	-	-	-	-	(113,678)	7,652,611

As at 30 June 2012	Average Interest Rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Non Interest Sensitive	Total
Assets								
NZACU Call Account	2.5%	1,260,000	-	-	-	-	-	1,260,000
Other Cash Balances	3.5%	192,034	-	-	-	-	-	192,034
Accounts Receivable		-	-	-	-	-	166,002	166,002
Investments	6.5%	6,749	515,891	-	-	-	-	522,640
		1,458,783	515,891	-	-	-	166,002	2,140,676
Liabilities								
Bank Overdraft	8.8%	1,329	-	-	-	-	-	1,329
Accounts Payable		-	-	-	-	-	185,926	185,926
Reinsurance Payable		-	-	-	-	-	14,056	14,056
		1,329	-	-	-	-	199,982	201,311
On Balance Sheet Interest Sensitivity Gap		1,457,454	515,891	-	-	-	(33,980)	1,939,365

Interest Rate Sensitivity Analysis

The sensitivity analyses have not been calculated as there are no floating rate liabilities at balance date.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Risk is minimised by investing with Registered Banks or the New Zealand Association of Credit Unions who maintain a well diversified investment portfolio with controls over maturity, counterparty and concentration of investments. Accounts receivable are spread widely amongst resellers who are actively managed for debt collection.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

Credit Union Insurance Limited
Financial Statements 30 June 2013

Liquidity Risk Management

Liquidity risk is the risk that the Company will have difficulty in meeting commitments associated with its financial liabilities and future commitments. The Company manages its exposure to liquidity risk by maintaining sufficient liquid funds to meet its commitments based on historical and forecast cash flow needs.

The tables that follow detail the Company's remaining contractual maturity for its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principle cash flows.

As at 30 June 2013	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
Assets						
Cash and Cash Equivalents	7,767,352	-	-	-	-	7,767,352
Accounts Receivable	477,893	-	-	-	-	477,893
Deferred Acquisition Costs	62,020	165,388	-	-	-	227,408
Investments	-	-	-	-	-	-
Total Financial Assets	**8,307,265**	**165,388**	-	-	-	**8,472,653**
Liabilities						
Bank Overdraft	1,063					1,063
Accounts Payable	522,978	-	-	-	-	522,978
Reinsurance Payable	68,593	-	-	-	-	68,593
Unearned Premium Liability	525,748	1,401,994	-	-	-	1,927,742
Outstanding Claims Liability	2,256,622	-	-	-	-	2,256,622
Total Financial Liabilities	**3,375,004**	**1,401,994**	-	-	-	**4,776,998**
Net Liquidity Gap	**4,932,261**	**(1,236,606)**	-	-	-	**3,695,655**

As at 30 June 2012	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
Assets						
Cash and Cash Equivalents	3,107,034	-	-	-	-	3,107,034
Accounts Receivable	166,002	-	-	-	-	166,002
Deferred Acquisition Costs	64,288	171,435	-	-	-	235,723
Investments	6,749	515,891	-	-	-	522,640
Total Financial Assets	**3,344,073**	**687,326**	-	-	-	**4,031,399**
Liabilities						
Bank Overdraft	1,329					1,329
Accounts Payable	185,926	-	-	-	-	185,926
Reinsurance Payable	14,056	-	-	-	-	14,056
Unearned Premium Liability	555,883	1,482,355	-	-	-	2,038,238
Outstanding Claims Liability	624,380	-	-	-	-	624,380
Total Financial Liabilities	**1,381,574**	**1,482,355**	-	-	-	**2,863,929**
Net Liquidity Gap	**1,962,499**	**(795,029)**	-	-	-	**1,167,470**

Fair Value of Financial Instruments

Fair value measurements recognised in the Statement of Financial Position.
Financial instruments are categorised into 3 levels:

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 asset of liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only financial instrument classified at FVTPL were investments of $ Nil (2012: $522,640) which were categorised as Level 1 as they were valued using wholesale quoted prices. There were no transfers between and levels.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

23 RELATED PARTY DISCLOSURES

Parent Company

The Parent Company is CU Securities Limited.

Ultimate Controlling Party

The ultimate controlling party is the New Zealand Association of Credit Unions (NZACU).

Transactions with parent and Ultimate Controlling Entity	2013	2012
	$	$
Convertible Capital Notes redeemed during the year	800,000	2,323,000
Convertible Capital Notes issued during the year	-	800,000
Ordinary shares issued during the year	750,000	-
Perpetual Preference Shares issued during the year	1,250,000	-
NZACU provides banking facilities to the Company. The amount held as Short Term Deposits was	2,915,000	3,050,000
Consulting services charged by NZACU	142,080	72,456
Management services charged by NZACU	533,693	219,422
Consideration received in cash for Outstanding Claims liabilities transferred from NZACU on 1 April 2013 (refer note on Acquired Business)	1,678,000	-
Interest on Convertible Capital Notes	60,000	133,549
Dividend on Perpetual Preference Shares	31,589	-
Interest was received from NZACU	87,216	70,251
Insurance services were provided to NZACU	231,408	287,407
Fixed Assets sold to NZACU	1,026	70,160

Related party transactions were made on terms equivalent to those that prevail in arms length transactions.

Due (to) / from Related Parties	2013	2012
	$	$
Due to NZACU	180,740	52,285
Due from NZACU	1,221	25,826

Transferred Business

After consideration of the insurance business of the Group, the Boards of the New Zealand Association of Credit Unions ("NZACU") and Credit Union Insurance Limited resolved to transfer the NZACU's insurance operations to the NZACU's subsidiary Credit Union Insurance Limited.

On 1 April 2013, the Reserve Bank of New Zealand granted an Insurance Licence to the Company under the Insurance (Prudential Supervision) Act 2010. On that date the NZACU transferred, with Reserve Bank of New Zealand approval, all its insurance operations to the Company. Accordingly the Company acquired the assets and liabilities of the NZACU's insurance business at book value. The Company received payment of $1,678,000 to compensate for the Outstanding Claims Liability.

The Company's Actuary determined the value of the liability at that date.

The Outstanding Claims Liability acquired related to:	$
Life Claims	70,000
Non-Life Claims	1,608,000
	1,678,000

Key Management Personnel Compensation

No compensation is paid to the Directors and executives, being the key management personnel of the entity.

24 RECONCILIATION OF FINANCIAL PERFORMANCE SURPLUS TO NET OPERATING CASH FLOWS

	2013 $	2012 $
PROFIT/(LOSS) AFTER TAXATION	**498,525**	**562,300**
Adjustment for Non Cash Items:		
Depreciation	12,732	49,016
Amortisation	140,642	164,124
Fair value loss on Government Stock	15,891	9,028
Loss on Sale of Assets	8,906	10,785
	178,171	**232,953**
Movements in Working Capital		
(Increase) in Receivables	(305,142)	(5,347)
Decrease in Unearned Premium Liability	(110,496)	(31,276)
Decrease/(Increase) in Deferred Acquisition Costs	8,315	(71,551)
(Decrease) in Outstanding Claims Liability	(45,758)	(148,620)
Increase/(Decrease) in Accounts Payable	301,473	(396,820)
Decrease in Tax Refunds Receivable	-	666
Decrease/(Increase) in Future Funded Premium	52,353	(292,119)
Decrease in Expected Recoveries	96,462	104,043
Decrease in Prepaid Expenses	895	495
Increase/(Decrease) in Reinsurance Payable	54,537	(119,337)
Decrease in GST Receivable	-	168,695
Increase in GST Payable	17,522	6,113
	70,161	**(785,058)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**746,857**	**10,195**

25 SUBSEQUENT EVENTS

There were no events subsequent to balance date that would require disclosure in the Financial Statements.

Credit Union Insurance Limited
Financial Statements 30 June 2013

STATUTORY DECLARATION

	2013	2012
	$	$
The net surplus/(deficit) of the Company for the period under review after tax was:	498,525	562,300
Reserves		
Accumulated Losses		
Opening Balance	(13,174,389)	(13,603,140)
Dividend Declared	-	-
Interest on Capital Convertible Note	(60,000)	(133,549)
Dividends Paid on Perpetual Preference Shares	(31,589)	-
Net Surplus for the Year	498,525	562,300
Balance at End of Year	(12,767,453)	(13,174,389)

General

As required by section 211 of the Companies Act 1993 we disclose the following information:

On 1 April 2013, the Reserve Bank of New Zealand issued a licence to the Company under the Insurance (Prudential Supervision) Act 2010 and, on that date approved the transfer of all insurance previously undertaken by New Zealand Association of Credit Unions to the Company. From 1 April 2013, the Company issues life and non-life policies.

The Directors believe the state of the Company's affairs to be satisfactory.

Directors' interest in contracts:

During the period, the Board received notice that all the directors are officers of, or board members of Credit Unions or NZACU.

Use of Company information:

The Board received no notice during the period from the directors requesting to use, disclose or act on company information.

Remuneration and other benefits:

No remuneration was paid to directors during the year (2012 : Nil).

Employees of the Company receiving remuneration in excess of $100,000 per annum:

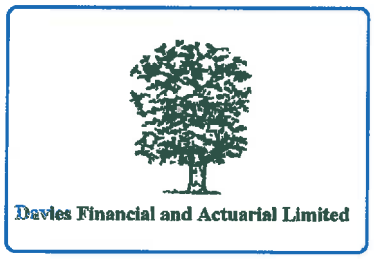
	2013	2012
Remuneration		
$100,000 - $150,000	1	1

Insurance and Indemnity:

During the period, no material insurance or indemnity was effected for the benefit of any director or employee.

Donations:

No donations were made to any charities during the year.



3rd October 2013

To: The Directors
Credit Union Insurance Limited

From: Peter Davies
Appointed Actuary

Re: Credit Union Insurance Limited ("CUIL"): Report as at 30th June 2013 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 CUIL as at 30th June 2013. "Actuarial information" includes the following:

   - claim provisions and unexpired risk / unearned premium provisions;
   - 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 claim provisions, unexpired risk provisions, and other disclosures.

2. No limitations have been placed on my work.

Level 1, 3 Shea Terrace, Takapuna 0622 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
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3. I am independent with respect to CUIL 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. CUIL exceeded the minimum capital requirement as prescribed under the RBNZ solvency standards for Life and Non-life Insurance respectively as at 30th June 2013. The company transacts both classes of business.

   The Company is expected to exceed the minimum solvency requirement at all times over the next three years.

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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