CREDIT UNION INSURANCE

Credit Union Insurance Limited

Financial Statements

for the year ended

30 June 2014

Credit Union Insurance Limited
Financial Statements 30 June 2014

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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
NZ Business Number:	9429036392063
IRD Number	85-937-081
Directors	S Scott Chair M Blair Deputy Chair C Andersen (appointed 29 August 2013) R Anderson G Clouston H Lynch C Matthews (appointed 29 August 2013) R Nicholls Independent Director
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 2014, 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 and tax advisors. These services have not impaired our independence as auditors of the Company.

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 2014, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements
We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

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

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

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

PricewaterhouseCoopers

Chartered Accountants
28 August 2014

Auckland

Credit Union Insurance Limited
Financial Statements 30 June 2014

UNDERWRITING INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Premium Income			
Gross Written Premium		8,881,735	5,329,138
Unearned Premium Movement		(29,068)	110,496
Gross Earned Premium	5	8,852,667	5,439,634
Reinsurance Premium Ceded		(203,519)	(226,499)
Net Earned Premium	3	**8,649,148**	**5,213,135**
Claims Expenses			
Claims		5,015,144	3,130,969
Movement in Outstanding Claims		(88,825)	(45,757)
Recoveries Received		(272,427)	(554,764)
Movement in Expected Third Party Recoveries		88,229	96,462
Total Claims Expenses	3	**4,742,121**	**2,626,910**
Other Expenses			
Acquisition Costs		1,565,242	709,404
Total Other Expenses	3	**1,565,242**	**709,404**
Total Expenses		**6,307,363**	**3,336,314**
Net Underwriting Income Profit	3	**2,341,785**	**1,876,821**

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

UNDERWRITING AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Income			
Other Income	7	360,379	578,884
Interest Income	8	265,192	158,174
Total Income		**625,571**	**737,058**
Expenses			
Depreciation	16	9,824	12,732
Amortisation	17	151,383	140,642
Employee Costs	9	476,164	705,936
Restructuring Costs		-	150,433
Administration and Operating Costs		1,739,477	1,020,121
Auditor Remuneration	10	55,830	59,491
Legal Fees		71,520	17,093
(Gain)/Loss on Sale of Assets		(2,642)	8,906
Total Expenses		**2,501,556**	**2,115,354**
Underwriting Income			
Life	3	308,083	106,213
Non-Life	3	812,145	251,120
Motor Vehicle	3	1,221,557	1,519,488
Total Underwriting Surplus		**2,341,785**	**1,876,821**
Net Operating Profit before Taxation		**465,800**	**498,525**
Income Tax Expense	11	-	-
Total Comprehensive Income Profit for the Year		**465,800**	**498,525**

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

Credit Union Insurance Limited
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital	Perpetual Preference Shares	Capital Convertible Notes	Accumulated Deficit	Total
	$	$	$	$	$
Opening Balance - 1 July 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 after Tax	-	-	-	498,525	498,525
Closing Balance - 30 June 2013	**17,250,000**	**1,250,000**	**-**	**(12,767,453)**	**5,732,547**
Capital Convertible Notes Redeemed	-	-	-	-	-
Shares Issued	-	-	-	-	-
Dividends Paid on Ordinary Shares	-	-	-	(225,000)	(225,000)
Dividends Paid on Perpetual Preference Shares	-	-	-	(125,000)	(125,000)
Total Comprehensive Profit after Tax	-	-	-	465,800	465,800
Closing Balance - 30 June 2014	**17,250,000**	**1,250,000**	**-**	**(12,651,653)**	**5,848,347**

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

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 $	2013 $
Total Equity	12	**5,848,347**	**5,732,547**
Current Assets			
Cash and Cash Equivalents	13	8,804,249	7,767,352
Accounts Receivable	14	518,826	477,893
Expected Recoveries	3, 15	145,345	233,574
Future Funded Premiums		1,699,091	1,550,536
Deferred Acquisition Costs	4	234,809	227,408
Prepaid Expenses		29,628	24,505
Tax Refund Receivable		62	62
		11,432,010	**10,281,330**
Non-current Assets			
Intangible Assets	17	184,823	238,684
Property, Plant and Equipment	16	14,470	23,369
Total Assets		**11,631,303**	**10,543,383**
Current Liabilities			
Bank Overdraft	13	-	1,063
GST Payable		27,756	23,635
Unearned Premium Liability	5	1,956,810	1,927,742
Outstanding Claims Liability	3	2,167,797	2,256,622
Accounts Payable	18	1,621,275	533,181
Reinsurance Payable		9,318	68,593
Total Liabilities		**5,782,956**	**4,810,836**
Net Assets		**5,848,347**	**5,732,547**

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

These Financial Statements were authorised for issue by the Board of Directors on 28 August 2014 and were signed for on its behalf.

Director **Director**

Credit Union Insurance Limited
Financial Statements 30 June 2014

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Cash Flows from Operating Activities			
Cash was received from:			
Premiums Received		9,939,184	5,221,838
Interest Received		265,192	164,922
Claims Recoveries		272,427	554,763
Other Income		360,379	571,682
Tax Refunds		4,122	17,522
		10,841,304	6,530,727
Cash was applied to:			
Claims and Rebates Paid		5,179,289	3,130,969
Reinsurance Paid		263,380	171,962
Employee Costs		454,129	741,515
Acquisition Costs		1,582,777	720,623
Administration and Operating Costs		1,877,964	868,368
Restructuring Costs		-	150,433
		9,357,539	5,783,870
Net Cash Flow from Operating Activities	24	**1,483,765**	**746,857**
Cash Flows from Investing Activities			
Cash was received from:			
Proceeds from sale of Intangible Assets and Property, Plant and Equipment		3,563	-
Proceeds from Sale of Government Stock		-	500,000
Payment for Insurance Claims Liability transferred		-	1,678,000
		3,563	2,178,000
Cash was applied to:			
Purchase of Intangible Assets and Property, Plant and Equipment		99,368	172,684
		99,368	172,684
Net Cash Flows from Investing Activities		**(95,805)**	**2,005,316**
Cash Flows from Financing Activities			
Cash was received from:			
Investment in Ordinary Shares		-	750,000
Investment in Perpetual Preference Shares		-	1,250,000
Cash was applied to:			
Dividend on Ordinary Shares		(225,000)	-
Interest on Capital Convertible Notes		-	(60,000)
Dividend on Perpetual Preference Shares		(125,000)	(31,589)
Net Cash Flow from Financing Activities		**(350,000)**	**1,908,411**
Net Increase in Cash		**1,037,960**	**4,660,584**
Cash at the beginning of the year		7,766,289	3,105,705
Cash at the end of the year	13	**8,804,249**	**7,766,289**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 Note 2(s) Accounting Standards adopted during the year.

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Company is a Tier 1 entity. There was no impact on the current or prior year financial statements.

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 from 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, 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.

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(s) Accounting Standards adopted during the year

NZ IFRS 13 *(Fair Value Measurement)* (effective 1 July 2013)

NZ IFRS 13 was released in May 2013. NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The standard has no material effect on the value placed on the assets or liabilities of the Company due to the short term of investments and the actuarial review of the adequacy of major accruals and provisions related to the insurance portfolio. Disclosures have been enhanced where appropriate to meet the requirements of IFRS 13.

Revised NZ IAS 19 *(Employee Benefits)* (effective 1 July 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. 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. The policy has no effect on the results of the Company as there are no defined benefit liabilities owing to employees and no intention to terminate employees.

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 2013 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 2017) , addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009, October 2010 and December 2013. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments and hedge accounting. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. The Company is yet to assess NZ IFRS 9's full impact.

IFRS 9 *(Financial Instruments)* (effective for annual reporting periods beginning on or after 1 January 2018)

IFRS 9, Financial Instruments, was issued by the International Accounting Standards Board in July 2014 as a complete version of the standard. This standard adds to the requirements of NZ IFRS 9 by incorporating the expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Company is yet to assess the impact of this standard and does not expect to adopt it before its effective date.

NZ IFRS 15 *(Revenue from contracts with Customers)* (Effective for annual periods beginning on or after 1 January 2017)

NZ IFRS 15 addresses the recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 'Revenue and NZ IAS 11 'Construction Contracts' and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is yet to assess the full impact of NZ IFRS 15. The Company will apply this standard from 1 July 2017.

3 UNDERWRITING RESULTS

	2014 $	2013 $
Life Insurance		
Gross Earned Premium	1,830,001	428,081
Reinsurance Premiums	-	-
Net Earned Premium prior to Rebates	1,830,001	428,081
Gross Claims	813,671	167,850
Reinsurance Received	-	-
Net Claims	813,671	167,850
Commission	223,644	52,985
Underwriting Result	792,686	207,246
Credit Union Rebates	484,603	101,033
	308,083	106,213
Other non-life Insurance		
Gross Earned Premium	4,200,339	1,008,226
Reinsurance Premiums	-	-
Net Earned Premium prior to Rebates	4,200,339	1,008,226
Gross Claims	1,734,650	492,370
Reinsurance Received	-	-
Net Claims	1,734,650	492,370
Commission	891,209	213,451
Underwriting Result	1,574,480	302,405
Credit Union Rebates	762,335	51,285
	812,145	251,120
Motor Vehicle Insurance		
Gross Earned Premium	4,104,145	4,155,645
Reinsurance Premiums	(238,399)	(226,499)
Net Earned Premium	3,865,746	3,929,146
Gross Claims	2,193,800	1,966,690
Reinsurance Received	-	-
Net Claims	2,193,800	1,966,690
Commission	450,389	442,968
Underwriting Result	1,221,557	1,519,488
Total Insurance		
Net Earned Premium prior to Rebates	9,896,086	5,365,453
Net Claims	4,742,121	2,626,910
Commissions	1,565,242	709,404
Underwriting Result	3,588,723	2,029,139
Credit Union Rebates	1,246,938	152,318
Insurance Claims, Commission and Rebates	7,554,301	3,488,632
Total Underwriting Result after Commission and Rebates	2,341,785	1,876,821

Claims Estimates and Risk Margin

The policy liabilities have been determined by the actuary, 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 2014. 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 non-life

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% (2013 : 10%), which provides a likelihood of sufficiency of 75% (2013 : 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 3.56% per annum (2013 : 2.85%).

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 15% (2013 : 8.5%), which provides a likelihood of sufficiency of 75% (2013 : 75%). The Board has elected to use a risk margin of 15% (2013 : 17%) which gives a 75% (2013: 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 allowance is based on historical monies recovered against claims paid.

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.

	2014 $	2013 $
Outstanding Claims Liability		
Life Insurance		
Opening Claims Liability	85,506	-
Liability acquired on transfer of business	-	70,000
Claims Expense	813,671	167,850
Claims Paid	(800,132)	(152,344)
Closing Claims Liability	**99,045**	**85,506**
Other Non-life Insurance		
Opening Claims Liability	1,666,437	-
Liability acquired on transfer of business	-	1,608,000
Claims Expense	1,734,650	492,371
Claims Paid	(1,803,241)	(433,934)
Closing Claims Liability	**1,597,846**	**1,666,437**
Motor Vehicle Insurance		
Opening Claims Liability	504,679	624,380
Claims Expense	2,377,998	2,424,990
Claims Paid	(2,411,771)	(2,544,691)
Closing Gross Claims Liability	**470,906**	**504,679**
Total Gross Outstanding Claims Liability	**2,167,797**	**2,256,622**
Motor Vehicle Expected Recoveries Receivable		
Opening Expected Recoveries	233,574	330,036
Increase in Expected Recoveries	184,198	458,302
Actual Third Party Recoveries Received	(272,427)	(554,764)
Closing Expected Recoveries	**145,345**	**233,574**
Motor Vehicle net Claims Liability	**325,561**	**271,105**
Total Net Outstanding Claims Liability	**2,022,452**	**2,023,048**

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

	2014 $	2013 $
Composition of Outstanding Claims Liability		
Life Insurance		
Outstanding Claims	1,045	15,506
IBNR	98,000	70,000
Closing Claims Liability	**99,045**	**85,506**
Other Non-life Insurance		
Outstanding Claims	1,198,790	1,226,261
Indirect Claims Management Allowance - 8.5%	113,797	118,682
Risk Margin - 10%	145,259	151,494
IBNR	140,000	170,000
Closing Claims Liability	**1,597,846**	**1,666,437**
Motor Vehicle Insurance		
Outstanding Claims	299,628	284,675
Risk Margin - 15% (2013 - 17%)	44,944	48,395
Indirect Claims Management Allowance - 17.8% (2013 - 21.5%)	61,334	71,609
IBNR	65,000	100,000
Closing Gross Claims Liability	470,906	504,679
Closing Expected Recoveries	(145,345)	(233,574)
Closing Claims Liability	**325,561**	**271,105**
Total Outstanding Claims Liability	**2,022,452**	**2,023,048**

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 2013, the Company is required to maintain a Fixed Minimum Solvency Capital of $5,000,000 as determined under the Solvency Standards for Life and Non-Life Insurance Business (the solvency standard) issued by the RBNZ. RBNZ defines Actual Solvency Capital as: CUIL's Capital less Intangible Assets less dividends payable on Ordinary and Perpetual Preference Shares in the period leading up to the filing of the return.

The Company has defined in its Capital Risk Management Policy that it will maintain a Target Minimum Solvency Capital at the higher of:
- 105% of the Fixed Minimum Solvency Capital set by the RBNZ which is $5,250,000 (2013: minimum Actual Capital of $5,500,000);
- 125% of the Calculated Minimum Solvency Capital which at 30 June 2014 was $4,858,114 (2013: $5,609,055).

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:

Combined	2014 $	2013 $
Actual Solvency Capital	5,663,524	5,493,863
Minimum Solvency Capital	5,000,000	5,000,000
Solvency Margin	663,524	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 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:

	2014		2013	
	$	$	$	$
Sensitivity Calculations	**Balance**	**Sensitivity**	**Balance**	**Sensitivity**
Outstanding Claims	1,864,797		1,916,622	
Reopening allowance 10% higher		3,000		3,000
Reopening allowance 10% lower		(3,000)		(3,000)
Claim estimates 10% higher		186,000		192,000
Claim estimates 10% lower		(186,000)		(192,000)
Administration costs 10% higher		20,000		20,000
Administration costs 10% lower		(20,000)		(20,000)
IBNR	303,000		340,000	
Claim reporting 10% longer		106,000		119,000
Claim reporting 10% quicker		(97,000)		(109,000)
	2,167,797		**2,256,622**	

Insurance Rating

The Company has a Financial Strength rating of 'BB+' issued by Fitch Ratings on 17 December 2013, and affirmed on 30 May 2014. Previously the Company has a Financial Strength rating of 'BB' issued by Standard & Poors' on 27 February 2013.

4 DEFERRED ACQUISITION COSTS

Reconciliation of Movements for the Financial Year

	2014 $	2013 $
Opening Deferred Acquisition Costs	227,408	235,723
Acquisition Costs Paid	1,582,777	720,623
Acquisition Costs Released	(1,575,376)	(728,938)
Closing Deferred Acquisition Costs	234,809	227,408

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.

5 UNEARNED PREMIUM LIABILITY

(a) Reconciliation of Movements for the Financial Year

	2014 $	2013 $
Opening Unearned Premium Liability	1,927,742	2,038,238
Gross Written Premium for the Period Before Cancellations	9,570,641	5,928,364
Premiums Cancelled During the Year	(688,906)	(599,226)
Premiums Recognised During the Year	(8,852,667)	(5,439,634)
Closing Unearned Premium Liability	1,956,810	1,927,742

(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 8.0% (2013 : 17.0%) lower than the unearned premium provision. The conduct of the liability adequacy test identified a surplus at the level of 75% likelihood of sufficiency (2013: 75%). Accordingly there is no need to recognise any deficiency in the unearned premium provision.

6 INSURANCE PROVISIONS

The Company has a financial strength rating of "BB+" affirmed by Fitch Ratings on 30 May 2014. 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.

7 OTHER INCOME

	2014 $	2013 $
Insurance Management Fee	4,220	238,108
Monthly Funding Income	356,159	340,776
TOTAL OTHER INCOME	360,379	578,884

8 INTEREST INCOME

	2014 $	2013 $
NZACU Call Account	71,541	87,216
Government Stock	-	32,500
Loss on Investments held at Fair Value	-	(15,891)
Interest on Deposits	193,651	54,349
TOTAL INTEREST INCOME	265,192	158,174

9 EMPLOYEE COSTS

	2014 $	2013 $
Salaries	469,101	686,906
Other Staff Costs	7,063	19,030
TOTAL EMPLOYEE COSTS	476,164	705,936

10 AUDITOR REMUNERATION

	2014 $	2013 $
Auditor's Remuneration		
- Audit Fees paid to PricewaterhouseCoopers	40,080	38,750
- Other Fees paid to PricewaterhouseCoopers		
Taxation	10,000	13,705
Corporate Finance	-	3,250
Other Statutory Returns	5,750	3,786
TOTAL AUDITORS REMUNERATION	55,830	59,491

11 TAXATION

	2014 $	2013 $
Income Tax Recognised in Profit or Loss		
Profit before Taxation	465,800	498,525
Income Tax at Current Rate of 28%	130,424	139,587
Prior period adjustments	-	-
Interest on Capital Convertible Notes	-	(16,800)
Dividends on Perpetual Preference Shares	(35,000)	(8,845)
Non-Deductible Expenses	-	2,240
Utilisation of losses not previously recognised as deferred tax assets	(95,424)	(116,182)
TAXATION EXPENSE	-	-
Current Tax Assets		
Tax Refund Receivable	62	62
	62	62

Taxation losses have been recognised to the extent of the deferred tax liability on temporary differences. The additional tax losses have not been recognised because there is not sufficient probability of taxable profits in future years to offset such losses. Tax losses are subject to Inland Revenue assessment in the next tax return and sharholder continuity requirements. Tax losses not recognised are $2,303,200 ($644,900 at the tax rate of 28%) (2013: $2,691,900 ($753,700 at the tax rate of 28%)).

Deferred tax assets/(liabilities recognised are comprised of:

Deferred Tax Balance		
Deferred Tax Liabilities:		
Property, Plant and Equipment	-	-
Intangibles	(155)	(415)
Deferred Acquisition Costs	(65,747)	(63,674)
	(65,902)	(64,089)
Deferred Tax Assets:		
Property, Plant and Equipment	-	2,294
Provision for Employee Entitlements	9,027	2,857
Other	2,064	400
Tax Losses Recognised	54,811	58,538
	65,902	64,089

Imputation Credit Account

The balance of the Imputation Credit Account at 30 June 2014 is $Nil (2013 : $Nil).

12 EQUITY

	2014 $	2013 $
Accumulated Deficit		
Balance at the Beginning of the Year	(12,767,453)	(13,174,389)
Interest Paid on Capital Convertible Notes	-	(60,000)
Dividends Paid on Perpetual Preference Shares	(125,000)	(31,589)
Dividends Paid on Ordinary' Shares	(225,000)	-
Total Comprehensive Income for the Year	465,800	498,525
Balance at the end of the Year	(12,651,653)	(12,767,453)
Capital		
Fully Paid Ordinary Share Capital -17,250,000 shares (2013: 17,250,000 shares)	17,250,000	17,250,000
Perpetual Preference Shares - 1,250,000 shares (2013: 1,250,000)	1,250,000	1,250,000
	18,500,000	18,500,000
Total Equity	5,848,347	5,732,547
The shares are fully paid up ordinary shares that do not have a par value.		
Dividends per Share in cents per share	10.00	2.53
Perpetual Preference share	1.30	-
Ordinary Shares		

During the year to 30 June 2013, 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. Further on 1 April 2013, Ordinary Shares to a value of $750,000 and Perpetual Preference Shares to a value of $1,250,000 were issued and fully paid.

13 CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash and Bank Balances	306,446	352,352
Short Term Deposits	8,497,803	7,415,000
	8,804,249	7,767,352
Bank Overdraft	-	(1,063)
Balance at the end of the Year	8,804,249	7,766,289

14 ACCOUNTS RECEIVABLE

	2014 $	2013 $
Trade Receivables	519,865	479,321
Provision for Insurance Policy Cancellations	(1,039)	(1,428)
Balance at Year End	518,826	477,893

15 EXPECTED RECOVERIES

	2014 $	2013 $
Gross recoveries	456,797	485,556
Provisions for non recoveries	(311,452)	(251,982)
Balance at Year End	145,345	233,574

16 PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Furniture, Fittings, Office Equipment and Vehicles		
Opening Cost at Beginning of Year	46,672	88,767
Additions	-	11,116
Disposals	-	(53,211)
Closing Cost at Year End	46,672	46,672
Opening Accumulated Depreciation at Beginning of Year	35,653	78,813
Depreciation Expense	1,167	2,019
Disposals	-	(45,179)
Closing Accumulated Depreciation at Year End	36,820	35,653
Net Book Value at Year End	9,852	11,019
Computer Equipment		
Opening Cost at Beginning of Year	38,873	107,464
Additions	1,846	10,596
Disposals	(1,062)	(79,187)
Closing Cost at Year End	39,657	38,873
Opening Accumulation Depreciation at Beginning of Year	26,523	94,997
Depreciation Expense	8,657	10,713
Disposals	(141)	(79,187)
Closing Accumulated Depreciation at Year End	35,039	26,523
Net Book Value at Year End	4,618	12,350
Total Carrying Amount at Year End	14,470	23,369

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

17 INTANGIBLES

	2014 $	2013 $
Computer Software		
Opening Cost at beginning of Year	732,976	807,339
Additions	97,522	150,972
Intangibles Written Off	-	(225,335)
Closing Cost at Year End	830,498	732,976
Opening Accumulated Amortisation at Beginning of Year	494,292	578,111
Amortisation Expense	151,383	140,642
Intangibles Written Off	-	(224,461)
Closing Accumulated Amortisation at Year End	645,675	494,292
Net Book Value at Year End	184,823	238,684

18 ACCOUNTS PAYABLE

	2014 $	2013 $
Trade Payables	219,122	303,007
Employee Expenses Accrued	32,238	10,203
Pemium Rebate Accrual	1,246,937	152,318
Other Accrued Expenses	122,978	67,653
	1,621,275	533,181

19 LEASES

	2014 $	2013 $
Non Cancellable Operating Lease Payments		
Lease Liabilities Commitments:		
Not Later than 1 Year	-	14,533
Later than 1 Year Not Later than 5 Years	-	-
Later than 5 Years	-	-
	-	14,533

20 CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding at balance date (2013: $Nil).

21 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

	2014 $	2013 $
Loans and receivables		
Cash and cash equivalents	8,804,249	7,767,352
Accounts receivable	518,826	477,893
Total loans and receivables	9,323,075	8,245,245
Total financial assets	9,323,075	8,245,245
Other financial liabilities at amortised cost		
Bank overdraft	-	1,063
Accounts payable	1,589,037	522,978
Reinsurance payable	9,318	68,593
Total other financial liabilities at amortised cost	1,598,355	592,634
Total financial liabilities	1,598,355	592,634

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 2014	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	3.3%	2,170,000	-	-	-	-	-	2,170,000
Other Cash Balances	4.3%	6,634,249	-	-	-	-	-	6,634,249
Accounts Receivable		-	-	-	-	-	518,826	518,826
		8,804,249	-	-	-	-	518,826	9,323,075
Liabilities								
Bank Overdraft	8.8%	-	-	-	-	-	-	-
Accounts Payable		-	-	-	-	-	1,589,037	1,589,037
Reinsurance Payable		-	-	-	-	-	9,318	9,318
		-	-	-	-	-	1,598,355	1,598,355
On Balance Sheet Interest Sensitivity Gap		8,804,249	-	-	-	-	(1,079,529)	7,724,720

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
		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

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 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.

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 2014	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
Assets						
Cash and Cash Equivalents	8,804,249	-	-	-	-	8,804,249
Accounts Receivable	518,826	-	-	-	-	518,826
Deferred Acquisition Costs	64,039	170,770	-	-	-	234,809
Total Financial Assets	**9,387,114**	**170,770**	**-**	**-**	**-**	**9,557,884**
Liabilities						
Bank Overdraft	-	-	-	-	-	-
Accounts Payable	1,589,037	-	-	-	-	1,589,037
Reinsurance Payable	9,318	-	-	-	-	9,318
Unearned Premium Liability	533,675	1,423,135	-	-	-	1,956,810
Outstanding Claims Liability	2,167,797	-	-	-	-	2,167,797
Total Financial Liabilities	**4,299,827**	**1,423,135**	**-**	**-**	**-**	**5,722,962**
Net Liquidity Gap	**5,087,287**	**(1,252,365)**	**-**	**-**	**-**	**3,834,922**

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
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**

22 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

Fair value measurements are 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 Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values. Cash and Cash Equivalents are balances held with financial institutions at current interest rates on overnight or short term investments and approximate fair value as the rates approximate current rates and there is low risk of default by the banks.

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	**2014**	**2013**
	$	$
Convertible Capital Notes redeemed during the year	-	800,000
Convertible Capital Notes issued during the year	-	-
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 in current accounts and on short term deposit was	2,447,692	3,243,819
Consulting services charged by NZACU	225,836	142,080
Management services charged by NZACU	1,138,980	533,693
Rent charged by NZACU	65,460	-
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
Dividends on Ordinary Shares	225,000	-
Dividend on Perpetual Preference Shares	125,000	31,589
Interest was received from NZACU	71,541	87,216
Insurance services were provided to NZACU	3,535	231,408
Fixed Assets sold to NZACU	-	1,026

None of the terms or conditions of these services has changed since the Company joined the NZACU Group.
Related party transactions were made on terms equivalent to those that prevail in arms length transactions.

Due (to) / from Related Parties	**2014**	**2013**
	$	$
Included in Accounts payable, due to NZACU	146,326	180,740
Included in Accounts receivable, due from NZACU	72	1,221

Transferred Business

During 2013, 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.
Directors and staff may insure with the Company.

Credit Union Insurance Limited
Financial Statements 30 June 2014

STATUTORY DECLARATION

	2014	2013
	$	$
The net surplus of the Company for the period under review after tax was:	465,800	498,525
Reserves		
Accumulated Losses		
Opening Balance	(12,767,453)	(13,174,389)
Dividend Declared	(225,000)	-
Interest on Capital Convertible Note	-	(60,000)
Dividends Paid on Perpetual Preference Shares	(125,000)	(31,589)
Net Surplus for the Year	465,800	498,525
Balance at End of Year	(12,651,653)	(12,767,453)

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 has issued 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 (2013 : Nil).

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

Remuneration	2014	2013
$120,000 - $130,000	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.

Davies Financial and Actuarial Limited

17th September 2014

To: The Directors
Credit Union Insurance Limited

From: Peter Davies
Appointed Actuary

Re: Credit Union Insurance Limited ("CUIL"): Report as at 30th June 2014 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 2014. "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.

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 2014. 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

Level 1, 3 Shea Terrace, Takapuna 0622
P.O. Box 35-258, Browns Bay, Auckland 0753
Telephone (09) 489-3551
Facsimile: (09) 489-6613
e-mail: pdavies@actuary.co.nz
home page: www.actuary.co.nz