DPL INSURANCE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2017

DPL INSURANCE LIMITED

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FOR THE YEAR ENDED 31 MARCH 2017

DPL INSURANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the annual report of DPL Insurance Limited for the year ended 31 March 2017.

There are certain matters that the shareholders can determine need not be disclosed in the annual report. The shareholders have unanimously agreed, under section 211(3) of the Companies Act 1993, to take advantage of that concession. The shareholders have agreed to limit the annual report to the following:

- Completed and signed financial statements
- Audit Report

Signed for and on behalf of the Board of Directors:

Director *Director*

Date: 28 July 2017

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CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DPL Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DPL Insurance Limited ('the Company') on pages 5 to 38, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of DPL Insurance Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than DPL Insurance Limited and the Shareholders of DPL Insurance Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, DPL Insurance Limited.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is D I Searle.

Staples Rodway

STAPLES RODWAY AUCKLAND
Auckland, New Zealand
28 July 2017

DPL INSURANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 $'000	2016 $'000
Insurance contract premiums	27	8,733	7,303
Outward reinsurance premium	27	(531)	(439)
Recoveries	27	905	281
Other insurance revenue	5, 27	1,601	583
Insurance revenue		10,708	7,728
Claims expense	27	(5,393)	(3,044)
Increase in policy liabilities	27	(1,056)	(953)
Commission expense	5, 27	(994)	(882)
Other expenses	5, 27	(3,344)	(2,437)
Underwriting (loss)/profit		(79)	412
Investment income	5, 27	1,007	986
Profit before taxation		928	1,398
Taxation	6, 27	(402)	(447)
Profit after taxation		526	951

The accompanying notes form part of these financial statements

DPL INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Balance at 1 April 2015		3,450	4,251	7,701
Comprehensive income				
Profit for the year		-	951	951
Other Comprehensive Income		-	-	-
Total Comprehensive Income attributable to shareholders		-	951	951
Balance at 31 March 2016		**3,450**	**5,202**	**8,652**
Transactions with shareholders in their capacity as owners				
Capital contributions	7	42,900	-	42,900
Comprehensive income				
Profit for the year		-	526	526
Other Comprehensive Income		-	-	-
Total Comprehensive Income attributable to shareholders		-	526	526
Balance at 31 March 2017		**46,350**	**5,728**	**52,078**

The accompanying notes form part of these financial statements

DPL INSURANCE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	2017 $'000	2016 $'000
ASSETS			
Cash and cash equivalents	10	55,565	7,643
Trade receivables	11	7,027	4,516
Other receivables and deferred expenses	12	2,313	780
Deferred tax	19	-	134
Financial assets at fair value through profit or loss	13	7,190	15,813
Reverse annuity mortgages	14	9,222	6,945
Property, plant & equipment	15	651	63
Intangible assets	16	39,044	58
Total assets		121,012	35,952
LIABILITIES			
Other payables	17	2,815	1,621
Financial liability at fair value through profit or loss	18	775	-
Deferred taxation	19	9,110	-
Tax payable		513	561
Life investment contract liabilities	27	12,847	15,629
Insurance contract liabilities	27	42,874	9,489
Total liabilities		68,934	27,300
SHAREHOLDER'S EQUITY			
Share capital	7	46,350	3,450
Retained earnings		5,728	5,202
Total shareholder's equity		52,078	8,652
Total shareholder's equity and liabilities		121,012	35,952

Signed for and on behalf of the Board of Directors:

Director

Director

Dated: 28 July 2017

The accompanying notes form part of these financial statements.

DPL INSURANCE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Cash was provided from:			
Contributions and Premiums Received		13,595	12,028
Interest Received		50	110
		13,645	12,138
Cash was applied to:			
Withdrawals and Claims Paid		10,344	5,969
Administration Fees Paid		-	528
Other Expenses Paid		2,922	5,760
		13,266	12,257
Net cash outflow from operating activities	28	379	(119)
Cash flows from investing activities			
Cash was provided from:			
Investments		9,106	2,254
Reverse annuity mortgages		1,310	3,403
Property, Plant and Equipment		10	-
		10,426	5,657
Cash was applied to:			
Reverse annuity mortgages		2,897	1,400
Property, Plant and Equipment		682	31
Intangible Assets		182	78
Acquisition of business and assets	20	34,000	-
		37,761	1,509
Net cash inflow from investing activities		(27,335)	4,148

The accompanying notes form part of these financial statements.

DPL INSURANCE LIMITED

STATEMENT OF CASH FLOWS *(continued)*

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 $'000	2016 $'000
Cash flows from financing activities			
Cash was provided from:			
Proceeds from issue of shares		41,500	-
Intercompany Borrowings		-	-
		41,500	-
Cash was applied to			
Intercompany Borrowings			130
		-	(130)
Net cash inflow / (outflow) from financing activities		41,500	(130)
Net movement in cash and cash equivalents		14,544	3,899
Cash included with business and assets		33,378	-
Add Opening cash and cash equivalents		7,643	3,744
Closing cash and cash equivalents		**55,565**	**7,643**
Represented by:			
Bank balances	10	55,565	7,643
Closing cash and cash equivalents		**55,565**	**7,643**

The accompanying notes form part of these financial statements.

1. REPORTING ENTITY

DPL Insurance Limited (the "Company") is incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

The Company is an FMC Reporting Entity for the purpose of the Financial Markets Conduct Act 2013.

The Company is a wholly owned subsidiary of Turners Automotive Group Limited (formerly Turners Limited), its parent company.

The financial statements of the Company have been prepared in accordance with the Companies Act 1993, Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010.

The Company is a for profit entity.

The principal activity of the Company is that of a insurer.

The financial statements were authorised for issue by the Directors on 28 July 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with New Zealand 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, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the Board of Directors on 28 July 2017.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies.

2.3 Functional and Presentation Currency and Rounding

These financial statements are presented in New Zealand Dollars ($) which is the Company's functional currency. The financial information presented in New Zealand Dollars has been rounded to the nearest thousand, except when otherwise indicated.

2.4 Use of Estimates and Judgements

The preparation of he financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 New Standards and Interpretation

The following new standards, amendments and interpretations are issued but not yet effective for the Company's accounting periods beginning on or after 1 April 2017 or later periods. The Company has not early adopted them.

NZ IFRS 9 Financial Instruments (effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39, 'Financial Instruments: recognition and measurement', that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories of financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to measure at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged time and hedging instrument and for the 'hedge ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company intends to adopt NZ IFRS 9 on its effective date and there is a project plan place to assess the full impact of the standard.

NZ IFRS 17 Insurance Contracts (effective date: periods beginning on or after 1 January 2021)
NZ IFRS 17, 'Insurance Contracts', will replace NZ IFRS 4, 'Insurance Contracts'. Under the NZ IFRS 17, insurance contract liabilities will be calculated at the present value of future insurance cash flows with a provision for risk. The discount rate applied will reflect current interest rates. If the present value of future cash flows would produce a gain at the time an insurance contract is issued, the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would be amortized over the life of the insurance contract. There would also be a new income statement presentation for insurance contracts, including a revised definition of revenue and additional disclosure requirements. NZ IFRS 17 will also have accommodations for certain specific types of insurance contracts. Short-duration insurance contracts will be permitted to use a simplified unearned premium liability model until a claim is incurred. For some contracts, in which the cash flows are linked to underlying items, the liability value will reflect that linkage.

The Company is yet to assess the impact of NZ IFRS 17. The Company intends to adopt NZ IFRS 17 no later than the financial year beginning 1 April 2021.

3.2 Foreign Currency Transactions
Foreign currency transactions are translated to New Zealand currency at the exchange rate ruling at the date of the transaction. All foreign currency monetary assets and liabilities are translated at the exchange rates ruling as at balance date.

3.3 Revenue and Expense Recognition
Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and that the revenue can be reliably measured. The principal sources of revenue are premium income and investment income.

Premium Income and Acquisition Costs
Recurring premiums on life insurance contracts are recognised as revenue when payable by the policyholder. Where policies provide for the payment of amounts of premiums on specific due dates, such premiums are recognised as revenue when due. Unpaid premiums are only recognised as revenue during the days of grace and are not recognised where policies are deemed to have lapsed at reporting date.

General insurance premiums comprise the total premiums payable for the whole period of cover provided by contracts entered into during the reporting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premium receivables written in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on known sales and are included in written premium.

Unearned premiums are those proportion of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Under life investment contracts deposits are received from policyholders which are then invested on behalf of the policyholders. No premium income is recognised as revenue. Fees deducted from members' accounts are accounted for as fee income.

Those direct and indirect costs incurred during the financial period arising from the acquiring or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums from insurance contracts. All other acquisitions costs are recognised as an expense when incurred.

Subsequent to initial recognition, the deferred acquisitions cost asset (DAC) for life insurance contacts is amortised over the expected life of the contracts. DAC for general insurance contracts is amortised over the period in which the revenues are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts are either settled or disposed of.

Investment Income
Financial instruments are classified in the manner described in (d). Some are measured by reference to amortised cost, other by reference to fair value.

For financial instruments measured at amortised cost, the effective interest method is used to measure the interest income or expense recognised in profit or loss. For financial instruments measured at fair value, interest income or expense is recognised on an accrual basis.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the relevant period. The calculation includes all fees paid or received and directly related transaction costs that are an integral part of the effective interest rate. The interest income or expense is allocated over the life of the instrument and is measured for inclusion in profit or loss by applying the effective interest rate to the instruments amortised cost.

Dividend income and unit trust distributions are recorded in the profit or loss when the Company's right to receive the dividend or distribution is established. Realised and unrealised gains and losses from re-measurement of financial instruments at fair value through profit or loss are included in investment income.

Other Revenue
Commission and fee revenue is recognised in profit or loss on the basis of the actual service provided as a proportion of the total services to be provided.

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

General insurance claims expenses are recognised when claims are notified with the exception of claims incurred but not reported for which a provision is estimated. Life insurance contract claims are recognised when a liability has been established. Claims under life investment contracts represent withdrawals of investment deposits and are recognised as a reduction in the life investment contract liabilities.

Maintenance Expenses
Maintenance costs are the fixed and variable costs of administering policies subsequent to sale and maintaining the company's operations such that they are sufficient to service enforce policies. These include general growth and development costs. Maintenance costs include all operating and management costs other than acquisition and investment management costs. Maintenance costs are recognised in profit or loss on an accrual basis.

Investment Management Expenses
Investment management costs are the fixed and variable costs of managing investment funds. Investment management expenses are recognised in profit or loss as incurred.

Other Expenses
All other expenses are recognised in profit or loss on an accrual basis.

3.4 Financial Assets
The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Financial assets are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial assets at fair value through profit or loss
This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Company's financial assets at fair value through profit or loss comprise investment in unitised funds, fixed interest securities and term deposits.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Company's loans and receivables comprise cash and cash equivalents, trade receivables, reverse annuity mortgages and other receivables.

Held to maturity investments
The Company does not have any financial assets classified as held to maturity.

Available for sale financial assets
The Company does not have any financial assets classified as available for sale.

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the profit or loss in the period in which they arise. Realised and unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or a Company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised through profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of previously recognised impairment loss is recognised in the through profit or loss.

3.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings on the statement of financial position.

3.6 Trade and other receivables and reverse annuity mortgages

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss.

Subsequent recoveries of amounts written off are recognised in profit or loss.

3.7 Financial liabilities

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and payables, as appropriate.

Financial liabilities at fair value through profit or loss

This category has two sub categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Company's financial liabilities at fair value through profit or loss comprise contingent consideration and life investment contracts.

Payables

The Company's payables comprise trade and other payables.

3.8 Trade and other payables

These amounts represent unsecured liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables as usually paid within 30 days, they are carried at face value.

3.9 Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into account are the probability of meeting each performance target and the discount factor.

3.10 Taxation

Life insurers are subject to a special tax regime. Two tax bases are maintained; the life insurer base where tax is calculated on investment income less expenses plus underwriting income, and the policyholder base which seeks to tax benefits as they accrue to policyholders under the policies in the form of claim, surrender and maturity payments and increments in the value of policies. The life insurer pays tax on the higher of the two bases at the company tax rate of 28%. As the life insurer is taxed as proxy for the policyholder, returns to policyholders are tax exempt.

From 1 July 2010 the taxation basis has changed. Tax will be payable on investment income allocated to policyholders and on shareholder cash flows (investment income, premiums less claims, less expenses). For the first five years of the new tax regime there are concessions which allow certain policies to continue being taxed under the old regime as explained above.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the amount of assets and liabilities, using tax rates enacted or substantively enacted as at balance date.

Deferred taxation assets arising from temporary differences or income tax losses, are recognised only to the extent that it is probable that a future taxable profit will be available against which the asset can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax asset will be realised. Any reduction is recognised in profit or loss.

3.11 Provision for Impairment

Impairment is assessed initially for financial assets that are known to be individually impaired.

Reverse mortgages are reviewed at each balance date to determine whether there is any objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and prior to the reporting date. The loss event has to have had an impact on the reliable measurement of estimated future cash flows.

If any such indication exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount.

The impairment provision is deducted from reverse mortgages in the statement of financial position and the movement in the impairment provisions is recognised in profit or loss. Bad debts are written off against the provision in the year in which they are identified. If in a subsequent period the amount of an impairment loss decreases and the decrease is linked objectively to an event occurring after the impairment loss, the loss is reversed through profit or loss.

3.12 Insurance Contracts

Insurance contracts are those contracts that transfer significant insurance risk and are accounted for in accordance with the requirements of NZ IFRS 4 Insurance Contracts. The Company issues the following insurance contracts:

- Long-term insurance contracts with fixed and guaranteed terms, these contracts insure events associated with human life (for example, death) over a long duration;
- Temporary life insurance contracts covering death disablement, disability and redundancy risks; and
- Short term motor vehicle contracts covering comprehensive, third party and mechanical breakdown risks.

The liability for life insurance contracts is determined in accordance with Appendix C of NZ IFRS 4 Insurance Contracts and Professional Standard No 20 of the New Zealand Society of Actuaries. In terms of these standards, the liability is determined using the methodology referred to as Margin on Service (MoS). Under MoS the excess premium received over claims and expenses, 'the profit margin', is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder 'the service'. Longer-term lines of business (annuities, funeral plan) are valued using the projection method, and shorter-term life and longer-term life contracts written on yearly renewable premiums, are valued using the accumulation method, as provided for in NZ IFRS 4.

General insurance contract liabilities include claims provision and the provision for unearned premium. The outstandings claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling cost and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known at reporting date and are estimated based on past experience. The liability is not discounted for the time value of money and is derecgonised when the obligation to pay the claim expires, is discharged or is cancelled.

The provision for unearned premiums represent the portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Liability adequacy testing is performed in terms of NZ IFRS 4 in order to test the adequacy of all insurance liabilities recorded in the statement of financial position, net of deferred acquisition costs. Liability adequacy testing is performed at a portfolio level of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

3.13 Life Investment Contracts

Life investment contracts are those contracts with minimal insurance risk and are accounted for in accordance with NZ IAS 18 Revenue and NZ IAS 39 Financial instruments: Recognition and Measurement (refer note 3.3). The life investment contacts are unit-linked and the fair value of a unit linked contract is determined using the current unit values that reflect the fair value of the financial assets backing the contract, multiplied by the number of units attributable of the contract holder.

3.14 Property, Plant and Equipment

Property, Plant and Equipment are recognised in the statement of financial position at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a diminishing value or straight-line basis to allocate the costs, net of any residual amounts, over their useful lives. The rates for the following asset classes are:

	Diminishing Value	Straight Line
Leasehold Improvements, Furniture and Fittings and Office Equipment	20.0 - 60.0%	3 - 5 years
Computer Equipment	20.0 - 50.0%	2 - 5 years
Motor Vehicles	-	3 - 7 years
Signs and Flags	-	3 - 12 years

3.15 Intangible Assets

Intangible assets comprise goodwill, acquired separable corporate brands, acquired customer relationships and computer software. Goodwill and corporate brands are indefinite life intangibles subject to annual impairment testing.

Goodwill represents the excess of fair value attributed to investments in subsidiaries over the fair value of the underlying net assets, including intangible assets, at the date of acquisition.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Companys of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Corporate brands and customer relationships acquired as part of a business combination are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company.

Corporate relationship assets are amortised on the straight line basis over the expected life (3 – 5 years) of the relationship and are recognised in the statement of financial position at cost less accumulated amortisation and impairment losses.

Computer software is recognised in the statement of financial position at cost less accumulated amortisation and impairment losses.

Direct costs associated with the purchase and installation of software licences and the development of software for internal use are capitalised where project success is probable and the capitalisation criteria is met. Cost associated with planning and evaluating computer software and maintaining a system after implementation are expensed. Computer software costs are amortised on a diminishing value basis (rate of 50%) or on a straight-line basis (one to five years).

3.16 Employee benefits

Wages, salaries and annual leave Liabilities for wages, salaries and annual leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Profit sharing and bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises an accrual where contractually obliged or where there is a practice that has created a constructive obligation.

Superannuation plans

The Company pays contributions to superannuation plans, such as Kiwisaver. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.17 Statement of Cash Flows

The cash flow statement has been prepared using the direct approach modified by netting certain cash flows in order to provide more meaningful disclosure as many of the cash flows are on behalf of the Company's customers rather than those of the Company. These include reverse mortgages and financial assets at fair value through profit or loss.

3.18 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets not yet available for use are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are Companyed at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.19 Contingent Liabilities

The Company is involved in transactions that give rise to contingent liabilities. The Company discloses a contingent liability when it has a possible obligation arising from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. A contingent liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.20 Comparatives

Where necessary, comparative information has been reclassified and represented for consistency with current year disclosures.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In preparing the financial statements in accordance with NZ IFRS, IFRS and applicable reporting standards management has made judgements, estimates and assumptions that affect the application of accounting policies and about the future that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The principal areas of judgement in preparing these financial statements are set out below.

4.1 Liabilities arising from claims made under insurance contracts

Liabilities arising from claims made under insurance contracts are estimated based on the terms of cover provided under an insurance contract.

The estimation of the ultimate liability arising from claims made under insurance contracts is based on a number of actuarial techniques that analyse experience, trends and other relevant factors. The actuarial methodologies used are noted below.

Actuarial Policies and Methods

The actuarial report on life insurance contract liabilities and prudential reserves for the current reporting period was prepared as at 31 March 2017 by Peter Davies, a Fellow of the New Zealand Society of Actuaries.

Life insurance contract liabilities

The value of life insurance contract liabilities has been determined in accordance with Professional Standard No. 20 of the New Zealand Society of Actuaries. After making appropriate checks, the actuary was satisfied as to the accuracy of the data from which the amount of policy liabilities has been determined.

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

(a) *Discount Rates*
Discount rates used to determine the life insurance contract liabilities are based on an appropriate risk-free rate of return, taking account of the term of the insurance contracts.

Tax was deducted at the rate of 28% on investment earnings net of investment expenses (2016: 28%). The net discount rates assumed were as follows:

	2017	2016
Whole of Life and Endowment Policies (including Funeral Plan)	Treasury risk-free rates*	Treasury risk-free rates*
Term Insurance Policies	Not applicable	
Caring Plan Funeral Benefit Policies	Not applicable	
Annuity Policies	Treasury risk-free rates*	Treasury risk-free rates*
Consumer Credit and Key Person Loan Protection	Not applicable	

Cash-flows in year 10:	March 2016:	2.61% per annum net of tax
	March 2017:	3.08% per annum net of tax

(b) *Inflation Rates*
In determining the future expected rate of return, general inflation was assumed to continue into the future at 2.0% per annum (2016: 2.0%).

(c) *Mortality Rates*
Rates of mortality were assumed as follows:
For underwritten whole of life, endowment and term insurance policies: NZ97 (2016: NZ97).
For guaranteed issue regular premium funeral plans: NZ97 multiplied by a factor to reflect higher mortality at younger

For annuities and Reverse Mortgages the Directors assumed mortality according to 90% of the NZ12-14 population tables (2016: PA(90) table, reduced by four years). For the Cook Islands Annuity Pension Plan the assumed mortality table is the PA(90) table without adjustment (2016: no change).

(d) *Profit Carriers*
The policies were divided into major product groups with profit carriers as follows:

Major Product Groups	*Carrier*
Participating Whole of Life and Endowment Policies	Policyholder Bonuses
Non Participating Whole of Life and Endowment Policies	Premiums
Lump Sum Funeral Benefit Policies (Caring Plan)	Not Applicable
Term Insurance Policies	Premiums
Funeral Plan Policies (Regular premium guaranteed issue)	Claims
Annuities	Annuity Payments
Consumer Credit / Lifestyle	Premiums
Motor business	Not applicable
Accidental death and redundancy - Stop gap	Not applicable
Accidental death regular and single premium	Not applicable

(e) *Investment and Maintenance Expenses*
The maintenance expense and general growth and development expense allowances assumed for the main classes of business were as follows:

	Cost per policy per annum	
	2017	2016
	$	$
Endowments	118	226
Funeral plans	29	56
Term life plans (for loss recognition)	59	113
Consumer credit plans (for loss recognition)	29	56
Annuity plans	118	226

The reduction in renewal costs arises from a combination of the significant growth of the Company's Motor insurance book over the year, and an expense investigation by the Company which led to a higher proportion of activities being recognised as business acquisition activities.

Investment management expenses were assumed to be 1.0% (2016: 1.0%) of policy liabilities.

(f) *Inflation and Automatic Indexation of Benefits*
Maintenance expenses are assumed to increase 2.0% per annum (2016: 2.0%). Investment management expenses are assumed to remain a constant percentage of funds under management.

(g) *Taxation*
The assumed future tax rate reflects the corporate tax rate applying in New Zealand with effect from 1 April 2016. The calculations have been carried out on the basis of current life insurance income tax legislation.

(h) *Rates of Discontinuance*
Rates of discontinuance are assumed to be 5.0% for whole of life, endowment and term insurance business (2016: 5.0%), and nil for annuity pension plan business (2016: nil).
For the Funeral plan the rates of discontinuance are based on company experience, beginning at 15% in year 1 and reducing ultimately to 8% per annum (2016: no change).

(i) *Surrender Values*
The Company's current basis of calculating surrender values is assumed to continue in the future.

(j) *Rates of Future Supportable Participating Benefits*
Rates of bonus supported by the participating fund are simple annual bonuses of $0 (2016: $0) per $1,000 of sum assured on endowment policies.

(k) *Impact of changes in assumptions*
The impact of the change in the discount rate is a reduction in policy liabilities of $185,000 (2016: increase of $119,380).

The impact of the revised expense and mortality assumptions is an increase in policy liabilities of $32,000 (2016: $4,872).

(l) *Crediting Policy Adopted for Future Supportable Participating Benefits*
For participating business the Company's policy is to distribute profits arising such that over long periods the returns to policy holders are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. In applying the policyholders' share of distributions to provide bonuses, consideration is given to achieving equity between generations of policyholders and equity between the various classes and sizes of policies in force. Assumed future bonus rates included in policyholder liabilities were set such that the present value of policyholder liabilities, allowing for the shareholders' right to participate in distributions, equals the value of assets supporting the business. The supportable future bonus rate on this basis is zero.

Non-life insurance liabilities
The non-life insurance liabilities have been valued on the basis of their unearned premium. The unearned premium (net of deferred acquisition costs) has been compared to the expected cost of future claims and administration costs to ensure non-life insurance liabilities are sufficient to cover these costs.

4.2 Provision for impairment on financial assets
Provision for impairment on financial assets is determined in accordance with accounting policy 3.11. In applying the policy the company makes judgments as to whether there is any observable data indicating impairment and the estimation of the recoverable amount.

4.3 Impairment of goodwill
The carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the related investment or cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows.

4.4 Impairment of corporate brands
The carrying values of brands are assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the related investment or a cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows.

4.5 Business combinations
Management uses valuation techniques to determine the fair values of the various elements of a business combination. Judgement is used in the determination of the fair value of the consideration and the value on intangible assets arising on acquisition (for example corporate brands and customer relationships) The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

4.6 Fair value of financial instruments
The fair value of financial instruments that are not quoted in active markets are determined using discounted cash flow models. To the extent practical, models use observable data, however normal volatilities require management to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

5. PROFIT AFTER MOVEMENT IN LIFE INSURANCE CONTRACT LIABILITIES, LIFE INVESTMENT CONTRACT LIABILITIES, TAXATION AND COMPREHENSIVE INCOME

a)

	2017	2016
Revenue	$'000	$'000
Interest received	875	92
Expenses		
Audit Fees		
- Fees for audit of the financial statements	75	68
Depreciation	48	22
Amortisation	48	56
Provision for impairment	16	9

b)

Net profit after taxation from insurance activities arose from:		
Life insurance contracts		
Planned margin of revenues over expenses	143	107
Change in valuation assumptions	(32)	(5)
Change in discount rate: Treasury yield curve shift	164	(119)
Difference between actual and assumed experience	(552)	62
Life investment contracts		
Difference between actual and assumed experience	420	599
Investment earnings on assets in excess of insurance contract and investment contract liabilities	383	307
Net profit after taxation attributable to insurance activities	526	951

The disclosure of the components of operating profit after tax expense are required to be separated between policyholders' and shareholders' interests. We have included only one column, as any policyholder profits are an expense of the Company and not attributable to the Shareholder.

It is not currently possible to identify all experience variances separately for life investment contracts. The difference between actual and assumed experience for life insurance contracts therefore includes some variances relating to life investment contracts.

c)

Investment Income		
Equity securities – Australasian & international	470	496
Fixed interest securities – New Zealand	96	366
Property securities – New Zealand and international	(14)	221
	552	1,083

Included within fixed interest securities is rebate income of $Nil (2016: $Nil). Included within total investment income is net realised and unrealised gains on securities at fair value through profit or loss of $552,000 (2016: $1,083,000).

d)

Administration fees		
Insurance contracts		
Policy acquisition expenses – commission costs	754	938
Deferred acquisition costs amortisation	150	14
Total insurance contract related expenses	904	952
Life investment contracts		
Investment management expenses	69	82
Total investment contract related expenses	69	82
Total insurance expenses	973	1,034

Acquisition costs are those fees charged against the schemes and policies during the first year of operation. Maintenance costs are all other fees charged against the schemes and policies.

6. TAXATION

Taxation expense/(benefit)	2017 $'000	2016 $'000
Profit before taxation	928	1,398
Income tax using the Company's domestic tax rate 28% (2016: 28%)	260	391
Add/(less) expenses not deductible for tax purposes	142	56
Taxation expense	402	447
Comprising:		
Current	(50)	560
Deferred	452	(113)
	402	447

Income tax losses on policyholder base	2017 $'000	2016 $'000
Opening balance	4,424	4,037
Current year loss	63	224
Imputation credits converted to losses	-	163
Closing Balance	4,487	4,424

The policyholder taxation losses are only available to be offset against future policyholder income.

7. SHARE CAPITAL

	2017 '000	2016 '000
Number of ordinary shares		
Opening balance	3,450	3,450
Shares issued during the year	42,900	-
Total authorised and issued share capital	46,350	3,450
Dollar value of ordinary shares	$'000	$'000
Opening balance	3,450	3,450
Shares issued during the year	42,900	-
Total authorised and issued share capital	46,350	3,450

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

There were no dividends declared and paid in 2017 (2016: $Nil). No dividend has been declared subsequent to 31 March 2017.

8. EQUITY – DPL INSURANCE LIMITED SOLVENCY CALCULATION

In terms of the Insurance (Prudential Supervision) Act 2010, DPL Insurance Limited must comply with the Solvency Standard for Life Insurance Business 2014 and the Solvency Standard for Non-life Business 2014. DPL Insurance Limited is required to hold minimum solvency capital of $5.0 million and have a solvency margin of at least $0.

	2017 $'000	2016 $'000
Actual solvency capital	21,827	8,518
Calculated minimum solvency capital	12,313	5,335
Solvency margin on calculated minimum solvency capital	9,514	3,183
Solvency ratio on calculated minimum solvency capital (times)	1.77	1.60
Overall minimum capital requirement	12,313	5,335
Solvency margin on overall minimum requirement	9,514	3,183
Solvency ratio on overall minimum requirement (times)	1.77	1.60
Non-life insurance		
Actual solvency capital	14,960	2,191
Calculated minimum solvency capital	9,315	1,516
Solvency margin on calculated minimum requirement	5,645	675
Solvency ratio	1.61	1.45
Life insurance		
Actual solvency capital	6,867	6,327
Calculated minimum solvency capital	2,998	3,819
Solvency margin on calculated minimum requirement	3,869	2,508
Solvency ratio	2.29	1.66

9. CAPITAL MANAGEMENT

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return on the capital allocated. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

10. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Bank	55,565	7,643

11. TRADE RECEIVABLES

	2017 $'000	2016 $'000
Trade Receivables	7,027	4,516

12. OTHER RECEIVABLES AND DEFERRED EXPENSES

	2017 $'000	2016 $'000
Deferred acquisition costs	1,354	666
Other receivables and prepayments	959	114
	2,313	780

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS

	2017 $'000	2016 $'000
Investment in unitised funds	7,190	15,813
Investments in unitised funds comprise:		
Cash/deposits	1,264	3,127
Fixed interest securities-New Zealand and overseas	1,293	2,390
New Zealand and international equities	2,857	5,673
New Zealand and overseas property securities	1,776	4,623
	7,190	15,813
Investments with external investment managers		
ANZ Investments	7,190	15,813
	7,190	15,813

Investments in unlisted units represent the investments of the life investment contracts (Refer note 27).

14. REVERSE ANNUITY MORTGAGES

	2017 $'000	2016 $'000
Reverse Annuity Mortgages (unencumbered)	9,291	6,966
Provision for impairment	(69)	(21)
	9,222	6,945

15. PROPERTY PLANT AND EQUIPMENT

2017	Computer Equipment $'000	Motor Vehicles $'000	Furniture, Fittings and Office Equipment $'000	Total $'000
At Cost	188	56	14	258
Accumulated Depreciation	(167)	(24)	(4)	(195)
Opening Carrying Amount	21	32	10	63
Additions - business combination	-	466	21	487
Additions	80	88	27	195
Disposals, transfers and translation difference	-	(51)	-	(51)
Depreciation	(9)	(20)	(14)	(43)
Closing Carrying Amount	92	515	44	651
At Cost	268	559	62	402
Accumulated Depreciation	(176)	(44)	(18)	(238)
Closing Carrying Amount	92	515	44	651

2016	Computer Equipment $'000	Motor Vehicles $'000	Furniture, Fittings and Office Equipment $'000	Total $'000
At Cost	182	42	4	228
Accumulated Depreciation	(161)	(9)	(3)	(173)
Opening Carrying Amount	21	33	1	55
Additions	7	14	10	31
Disposals, transfers and translation difference	(1)	0	0	(1)
Depreciation	(6)	(15)	(1)	(22)
Closing Carrying Amount	0	(1)	9	8
At Cost	188	56	14	258
Accumulated Depreciation	(167)	(24)	(4)	(195)
Closing Carrying Amount	21	32	10	63

16. INTANGIBLE ASSETS

	2017 $'000	2016 $'000
Brand		
Opening carrying amount at cost	-	-
Addition	21,500	-
Closing carrying amount	21,500	-
Goodwill		
Opening carrying amount at cost	-	-
Addition	11,927	-
Closing carrying amount	11,927	-
Software		
At Cost	379	301
Accumulated Amortisation	(321)	(265)
Opening Carrying Amount	58	36
Additions - business combinations	400	-
Additions	7	78
Disposals, transfers and translation difference	-	-
Amortisation	(48)	(56)
Closing Carrying Amount	417	22
At Cost	786	379
Accumulated Amortisation	(369)	(321)
Closing Carrying Amount	417	58
Corporate relationships		
At Cost	-	-
Accumulated Amortisation	-	-
Opening Carrying Amount	-	-
Additions - business combinations	5,200	-
Additions	-	-
Disposals, transfers and translation difference	-	-
Amortisation	-	-
Closing Carrying Amount	5,200	-
At Cost	5,200	-
Accumulated Amortisation	-	-
Closing Carrying Amount	5,200	-
Total intangible assets carrying amount	39,044	58

The impairment and amortisation is recognised in other operating expenses in profit or loss.

Impairment testing for cash-generating units (CGU) containing brands and goodwill

The Company is considered a single CGU. Goodwill primarily relates to growth expectations, expected future profitability and the substantial skill and expertise of the work force of the cash generating unit. Management have assessed that there is no foreseeable limit to the period of time over which the goodwill and brand is expected to generate net cash inflows for the CGU, and as such goodwill and brand have been assessed as having an indefinite useful life.

The recoverable amount of the CGU has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rates stated below. The growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the which the CGU operates. The key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows.

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2 - 10%; year 3 - 7.5%, years 4 to 5 - 5.0% and a terminal rate of 2.0% . A pre-tax discount rate of 11.2% was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU.

In assessing the impairment of the goodwill and brand value in the insurance CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 3 - 5 growth rates by 1.5%, increasing and reducing the terminal growth rate by 1% and increasing and decreasing the discount rate by 1%. These reasonably possible changes in rates did not cause any impairment.

17. PAYABLES

	2017 $'000	2016 $'000
Related party payable (Note 25)	254	218
Other payables and accruals	2,561	1,403
	2,815	1,621

18. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS

	2017 $'000	2016 $'000
Contingent consideration	775	-

19. DEFERRED TAXATION

The movement on the deferred tax account is as follows:	2017 $'000	2016 $'000
Opening balance asset/(liability)	134	-
Tax losses transferred from Turners Limited	-	247
Deferred tax on brands	(8,792)	-
Charge to profit or loss	(452)	(113)
Closing Balance (asset/liability)	(9,110)	134

20. ACQUISITION OF AUTOSURE

In November 2016 the Company entered in to an agreement to purchase part of the Autosure business from Vero Insurance New Zealand Limited. This acquisition included the Autosure brand, corporate relationships and the in-force portfolio of mechanical breakdown, guaranteed assed protection, payment protection, credit contract indemnity and extended warranty insurance contract liabilities. The acquisition was completed on 31 March 2017 being the date on which the transfer of in-force Autosure insurance portfolio received approval from the Reserve Bank of New Zealand. The purchase of Autosure aligns with the Group's strategy of building on organic growth with acquisitions of reputable businesses and brands that build capability and scale in the integrated automotive financial services market.

	2017 $'000	2017 $'000
Fair value of consideration transferred		
Cash		34,000
Contingent consideration		775
		34,775
Identified assets acquired and liabilities assumed		
Cash		33,378
Receivables		400
Property, plant and equipment		523
Intangible asset - brand		21,500
Intangible asset - corporate relationships		5,200
Intangible asset - software		400
Trade and other payables		(971)
Deferred tax		(8,792)
Insurance liabilities	(33,315)	
Less: intangible asset- portfolio-in-force	4,700	(28,615)
Identifiable net assets		23,023
Goodwill on acquisition		11,752
Consideration transferred settled in cash		34,000
Cash received on portfolio transfer		(33,378)
Net cash outflow on acquisition		622
Acquisition costs charged to expenses		446
Net cash paid relating to acquisition		1,068

Contingent consideration
At acquisition date contingent consideration of $0.8m was recognised. The contingent consideration arrangement requires the Company to make an earn out payment on the first anniversary of the acquisition, in cash, to Vero Insurance New Zealand Limited. The earn out payment is based on the earn out consideration adjusted by the performance percentage. The performance percentage is calculated by comparing the actual annual gross written premium to the target annual gross written premium included in the sale and purchase agreement.

The potential undiscounted amount of all future payments to Vero Insurance New Zealand Limited is between $0.8m and $1.0m.

Identified assets acquired and liabilities assumed
The fair value of corporate relationships was determined using the income approach, discounting future estimated cash flows by a risk adjusted weighted average cost of capital. The fair value of the portfolio-in-force intangible asset represents the difference between the assumed insurance liabilities, measured in accordance with the Company's existing accounting policies, and the fair value of the future claim and administration obligations arising in respect of those contracts. The fair value of the brand has been determined using the income approach and by applying the relief from royalty method. The fair value of all other assets and liabilities was determined using the cost approach.

Goodwill
Goodwill of $11.8 million is primarily related to growth expectations, expected future profitability, the substantial skill, expertise of the work force and synergies arising from the ustilisation of Autosure's repairer network by our existing insurance business and from cross selling on insurance and finance to an extended dealer network and customer base.

Contribution to Company results
As the effective date of the purchase was 31 March 2017, the business made no material net contribution to the Company's financial results. If the acquisition had occurred on 1 April 2016, management estimates that the Company's revenue would have been 45.0m and the Company's profit before acquisition amortisation would have been $5.9m

21. ACQUISITION OF PACIFIC LIFE

On the 10 May 2016 DPL Insurance Limited acquired the business assets and intellectual property of Pacific Life Limited. The transaction was settled on 1 June 2016 by a payment of $175,000 to Pacific Life for its assets and intellectual property and a payment from Pacific Life of $143,000 to DPL Insurance Limited for the transfer of the actuarially determined policy solvency reserves.

22. FINANCIAL INSTRUMENTS

a.) Credit risk

Credit risk is the risk that a counterparty will cause a financial loss for the Company by failing to meet its contractual obligations.

Financial instruments which potentially subject the Company to credit risk principally consist of cash and cash equivalents, reverse mortgages, other receivables and financial assets at fair value through profit or loss. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments which represent irrevocable unused portions of authorisations to extend loans. The Company's cash and cash equivalents are placed with high credit quality institutions.

The Company performs credit evaluations on all customers requiring advances. The Company requires collateral or other security to support the financial instruments with credit risk. The Company operates a lending policy with various levels of authority depending on the size of the loan. A lending and credit committee operates and overdue loans are assessed on a regular basis by this body.

Risk gradings categorise exposures according to the degree of risk of financial loss faced and focus management on the attendant risks. Risk grades are used to determine where impairment allowances may be required. The current risk grading framework consists of three grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. They are as follows:

- neither past due nor impaired - compliance with all terms, good security value, and no adverse events affecting the borrower.
- past due but not impaired – non-compliance with all terms and concerns over future events that may effect the borrower.
- past due and impaired - non-compliance with terms, evidence of impairment of security held and adverse event affecting the borrower.

The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for reverse mortgages are mortgages over residential property.

Maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position which is net of any provision for impairment.

With respect to credit risk on commitments, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The credit risk exposure below does not take into account the fair value of any collateral, in the event of counterparties failing to meet their contractual obligation.

For life investment linked contracts the investments credit risk is appropriate for each particular product and the risk is borne by the policy holder. There is no significant risk assumed by the Company.

a.) i.) Concentrations of credit risk

Concentrations of credit risk exist if a number of counterparties are involved in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company manages, limits and controls concentrations of credit risk, in particular, to individual counterparties and geographic location. The Company lends only to owners of property.

Such risks are monitored on an ongoing basis and subject to an annual or more frequent review, when considered necessary.

Geographic concentrations of reverse mortgages

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by the geographic regions of our counterparties.

	2017 $'000	2016 $'000
Northland	549	597
Auckland	5,449	3,944
Waikato/Bay of Plenty	1,137	716
Wellington	143	65
Rest of North Island	742	672
Canterbury	449	515
Otago/Southland	532	192
Rest of South Island	290	265
	9,291	6,966

b.) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds at short notice to meet obligations from its financial liabilities.

The Company maintains sufficient funds to meet its commitments based on historical and forecasted cash flow requirements. Management actively manages the lending and borrowing portfolios to ensure the net exposure to liquidity risk is minimised. The exposure is reviewed on an ongoing basis from daily procedures to monthly reporting as part of the Company's liquidity management process. The management process includes:

- day to day funding, managed by monitoring future cash flows to ensure that requirements can be met

Monitoring and reporting take the form of cashflow measurement and projections, these include:

- day to day funding requirements;
- on a weekly basis, projecting the requirements for each of the next 4 weeks;
- on a monthly basis, projecting the requirements for each of the next 12 months

The weekly projections are reported to the Board. The Company also monitors the level of undrawn lending commitments.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2017 $'000	0-6 Months	6-12 Months	12-24 Months	24-60 Months	60+ Months	Total
Financial liabilities						
Advances from related parties	254	-	-	-	-	254
Other Payables	2,561	-	-	-	-	2,561
	2,815	-	-	-	-	2,815

2016 $'000	0-6 Months	6-12 Months	12-24 Months	24-60 Months	60+ Months	Total
Financial liabilities						
Advances from related parties	218	-	-	-	-	218
Other Payables	1,403	-	-	-	-	1,403
	1,621	-	-	-	-	1,621

c.) Market risk

Market risk is the risk of an event in the financial markets that results in a fluctuation in earnings or a fluctuation in value. Market risk arises from the mismatch between assets and liabilities. The Company is exposed to diverse financial instruments including interest rates, equities, and foreign currencies.

c.i.) Life insurance business

For the life insurance business, financial assets at fair value through profit or loss are held for investment linked policies where market risk is transferred to the policy holder. The Company earns fees on investment linked policies that are based on the amount of assets invested, it may receive lower fees should markets fall. Asset allocation for investment linked policies is decided by the Policy Holder. This risk is not considered significant.

Interest rate risk also arises on risk contracts where negative policy liabilities are valued at current risk free interest rates. There would not be any significant impact on profit or loss for interest rate changes refer sensitivity analysis below.

c.ii.) Interest rate risk for financing activities

For the financing activities of the Company, the main market risk is interest rate risk.

Interest rate risk is the risk of loss to the Company arising from adverse changes in interest rates. The Company is exposed to the interest rate risk in respect of borrowings from and lending to customers. Interest rates are managed by assessing the demand for funds, for new lending, repayments and maintaining an adequate liquidity buffer. Rates are either fixed or variable for both lending and borrowing over the term of the contract. The Company does not enter into any futures, swaps or option contracts. Changes to interest rates can impact on the Company's financial results by affecting the spread earned on the interest-earning assets and the cost of interest-bearing liabilities.

Interest rate risk is measured by management and the Board of Directors when establishing fixed and variable rates of interest. When approving interest rates for individual loan advances interest rate risk is either measured by management and/or Board of Directors in accordance with the approved lending policy. Exposure to interest rates is monitored by the Board of Directors on a monthly basis.

Reserves mortgages are carried at amortised cost. Interest rates on advances are fixed or variable throughout the life of the advances. Advances are secured over the assets to which they relate.

The following table summarises the sensitivity of the Company's finance assets and financial liabilities to interest rate risk. The analysis shows the annualised impact on profit before tax and equity of a +/- 1% movement in interest rates. The equity impact takes into account tax effect of the profit impacts.

2017 ($'000)	Carrying amount	-1% profit	-1% equity	+1% profit	+1% equity
Financial assets					
Reverse mortgages	9,222	(92)	(65)	92	65

2016 ($'000)	Carrying amount	-1% profit	-1% equity	+1% profit	+1% equity
Financial assets					
Reverse mortgages	6,945	(69)	(49)	69	49

d.) Fair value of financial assets and liabilities not carried at fair value

Except for reverse mortgages and borrowings, the carrying value of all financial assets and liabilities not carried at fair value approximates their fair values as they are either short term in nature or rate insensitive.

The fair value of reverse mortgages and borrowings is determined using discounted cash flows, the discount rates used are the current market rates for similar products.

The table below summarises the carrying amounts and fair values of those financial assets and financial liabilities not presented on the Company's statement of financial position at their fair value:

2017 $'000	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	55,565	55,565
Trade Receivables	7,027	7,027
Other receivables and prepayments	2,313	2,313
Reverse mortgages	9,222	10,828
	74,127	75,733
Financial liabilities		
Advances from related parties	254	254
Other Payables	2,561	2,561
	2,815	2,815

2016 $'000	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	7,643	7,643
Trade Receivables	4,516	4,516
Other receivables and prepayments	780	780
Reverse mortgages	6,945	7,566
	19,884	20,505
Financial liabilities		
Advances from related parties	218	218
Other Payables	1,403	1,403
	1,621	1,621

e.) Fair value financial assets

The fair value of financial assets carried at fair value are determined as follows:

- Level 1: The fair value is calculated using quoted prices in active markets.
- Level 2 : The fair value is estimated using inputs other than quoted prices in level 1 that are observable for the assets, either directly (as prices) or indirectly (derived from prices).
- Level 3: The fair value is estimated using inputs for the assets that are not based on observable market data.

The fair value of financial assets carried at fair value as well as the methods used to calculate fair value are summarised in the table below:

2017 $'000	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss	-	7,190	-	7,190
<u>Financial liabilities:</u>				
Financial laibilities at fair value through profit or loss	-	-	775	775

2016 $'000	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss	-	15,813	-	15,813

Financial assets at fair value through profit or loss
The financial assets in this category back life investment contract liabilities and are investments in managed funds. The fair value of the investments in the managed funds are determined by reference to published exit prices, being the redemption price established by the based on market price quoted by the fund manager, ANZ Investments Limited (refer note 13).

Financial liability at fair value through profit or loss – contingent consideration Autosure
The fair value of the contingent consideration was determined using estimates of the expected pay out discounted at current borrowing rates.

These financial liabilities are exposed to interest rate risk as disclosed above.

At acquisition date contingent consideration of $0.8m was recognised and not re-measured as the acquisition took place on the reporting date. The maximum consideration to be paid is $1.0m.

The fair value estimate, at acquisition date, of the contingent consideration was determined by discounting the probability adjusted earn out consideration of $ 0.8m by 4.55%.

This is a level 3 fair value measurement and the key unobservable assumptions used in determining the probability adjusted earn out consideration was the probability of achieving 96% to 100% of the gross written premium target established in the sales and purchase agreement.

Future development may require further revisions to the contingent consideration.

23. INSURANCE RISK MANAGEMENT

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company purchases reinsurance as part of it's risk mitigation programme. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

24. ASSET QUALITY

	2017	2016
Collective impairment provision	$'000	$'000
Opening balance	18	9
Provisions transferred from other entities	42	-
Provision for impairment	9	9
	69	18
Specific impaired financial assets		
Opening balance	-	-
Additions to other individually impaired assets	-	-
Deletions from other individually impaired assets	-	-
	-	-

Movement in provisions - reconciliation to statement of comprehensive income - specific provisions for:

Collection impairment provision	69	9
Specific impairment provision	-	-
Charge to profit or loss	69	9

25. TRANSACTIONS WITH RELATED PARTIES

a) Related party balances

	2017 $'000	2016 $'000
Payable / (Receivable) as follows:		
Turners Automotive Group Limited	254	218
	254	218

All related party loans are repayable on demand and bear no interest. No related party debts have been forgiven or written off during the year.

b) Related Party Transactions

The Company charged administration fees of $20,556 (2016: $55,668) to Dorchester Capital Limited and $24,444 (2016: $64,332) to Dorchester RAMS Limited for administering Reverse Annuity Mortgages products on behalf of these companies.

The Company, Dorchester Capital Limited and Dorchester RAMS Limited are all wholly owned subsidiaries of Turners Automotive Group Limited. There were no transactions (2016: $Nil) which occurred at nil or nominal value.

26. RECLASSIFICATION AND PRESENTATION OF COMPARATIVE INFORMATION

General insurance premium income

In the prior year, the retail premium for general insurance products was included in insurance and life investment contract income (included in revenue from continuing operations) with the difference between the retail and wholesale insurance premium reflected as a commission expense. In the current year, the wholesale premium received on general insurance products has been included in insurance and life investment contract income to match the cash flow from the intermediary. The prior year comparative amounts of investment contract income and commission expense have been restated (decrease in insurance and life investment contract income of $1.7m, decrease in commission of $1.7m, decrease in other receivables and deferred expenses of $2.9m and a decrease in insurance contract liabilities of $2.9m) to conform with current year presentation. The reclassification has not had a material impact on the financial performance ($nil effect on profit before and after tax) or financial position ($nil effect on net assets) of the prior year comparative amounts presented.

Reinsurance recoveries included in claims expense

In the prior year, reinsurance recoveries were netted off against the insurance claims expense. In the current year, the Group has included reinsurance recoveries in insurance and life investment contract income (included in revenue from continuing operations) . The prior year comparative amounts of insurance and life investment contract income and claims expense have been restated (increase in insurance and life investment contract income of $0.3k and increase in claims expense of $0.3k) to conform with current year presentation. The reclassification has not had a material impact on the financial performance ($nil effect on profit before and after tax) or financial position ($nil effect on net assets) of the prior year comparative amounts presented.

Life Insurance DAC included in other receivables and deferred expenses

In the prior year, life insurance DAC of $0.3m was included in other receivables and deferred expenses. In the current year, the Group has included life insurance DAC in the insurance reserves (refer note 27). The restatement has not had a material impact on the financial performance ($nil effect on profit before and after tax) or financial position ($nil effect on net assets) of the prior year comparative amounts presented.

27. INSURANCE RELATED DISCLOSURES

a.) Policyholder liabilities	2017 $'000	2016 $'000
Life insurance contract liabilities		
Opening life insurance contract liabilities	12,688	9,260
Increase / (decrease) in life insurance contract liabilities recognised in balance sheet	4,546	(65)
Increase / (decrease) in life insurance contract liabilities recognised in profit or loss	(1,400)	(119)
Increase / (decrease) in premium revenues recognised in profit or loss	164	3,612
Closing life insurance contract liabilities	15,998	12,688
Policyholder liabilities contain the following components:		
Future policy benefits	17,589	15,143
Future expenses	611	892
Future profit margins	1,403	1,471
Balance of future premiums	(3,606)	(4,829)
Re-insurance	1	1
Cost of bonus	-	10
	15,998	12,688
Life insurance contracts with a discretionary participation feature – the amount of the liabilities that relates to guarantees	398	394
Other contracts with a fixed or guaranteed termination value – current termination value	2,241	2,579
Life investment contracts at fair value through profit or loss		
Opening life investment contract liabilities at fair value through profit or loss	15,629	16,378
Increase in life investment contract liabilities recognised in profit or loss	283	771
Contributions	2,306	2,793
Withdrawals	(4,951)	(3,785)
Activity, plan and establishment fees	(420)	(528)
Closing life investment contract liabilities held by the life insurance business	12,847	15,629
Expected to be realised in more than 12 months	12,847	15,629

The benefits offered under the Company's unit-linked investment contracts are based on the returns of selected equities and debt securities. This investment mix is unique, and it cannot be associated to an individual benchmark index with a sufficiently high correlation.

All financial liabilities at fair value through profit and loss are designated by the Company to be in this measurement category.

The liabilities originated from unit-linked contracts are measured in reference to their respective underlying assets of these contracts. Changes in the credit risk of the underlying assets do not impact the measurement of the unit-linked liabilities. The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date.

b.) Policyholder liabilities	2017	2016
	$'000	$'000
Annuities	1,352	1,452
Endowment	398	394
Whole of life	2,138	1,875
Provision for bonuses and future margins	1,403	1,471
Consumer credit protection & key person loan protection	586	1,457
Accidental death/redundancy	9	25
General	146	2,405
Term of life	37,334	47
Claims provision	556	693
Superlife policies	7,062	7,268
Deferred acquisition costs - life	(1,048)	(330)
Life bond policies - life bond reserve	-	-
Superannuation Funds:		
Super Bond Retirement Plan (closed)	5,785	8,293
Dorchester Life Group Superannuation Plan (closed)	-	68
	55,721	25,118

The policy liabilities in respect of annuities, endowment, whole of life, term life, super life and life bond have been established in accordance with the policy conditions and maintained at a level equivalent to obligations due to policy holders as maturity or partial benefits.

Dorchester Life Trustees Limited, as trustee of all the superannuation funds, invests in a life policy issued to the trustees by DPL Insurance Limited. During the year the Company received premiums, paid claims and invested the funds for the superannuation schemes outlined above. All investments and bank accounts of these funds are recorded in the name of DPL Insurance Limited.

The super life policy liabilities are equal to the super life retirement fund. The super life fund has been established by DPL Insurance Limited in accordance with the policy conditions and is maintained at a level equal to the obligations due to super life policyholders as maturity or partial benefits.

The life bond policy liabilities are separated into two reserves, the premium reserve fund and the life bond reserve. The premium reserve fund has been established by DPL Insurance Limited in accordance with the policy conditions and is maintained at a level equal to the obligations due to life bond policyholders as maturity or partial benefits as at 31 March 2017.

A life reserve has been created from investment earnings and is attributable to the superannuation funds and Superlife policies.

c.) i.) General outstanding claims liability	**2017**	**2016**
	$'000	**$'000**
Central estimate of present value of expected future payments	498	693
Risk margin	57	-
Outstanding Claims Liability	555	693

c.) ii.) Reconciliation of movement in general outstanding claims liability	**2017**	**2016**
	$'000	**$'000**
Opening Balance	693	66
Movement	4,415	1,885
Payments	(4,553)	(1,258)
Outstanding Claims Liability	555	693

The outstanding claims liability includes, in addition to the central estimate of the present value of expected future payments, a risk margin that relates to the inherent uncertainty in the central estimate of the present value of the expected future payments.

Risk margins are determined on a basis that reflects the insurer's business. Regard is given to the robustness of the valuation models, the reliability and volume of available data, past experience of the insurer and the industry and the characteristics of the classes of business written.

d.) 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 each reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under 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.

No deficiency was identified in the 2016 and 2017 reporting periods.

DPL INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2017

e.i.) Disaggregated information

DPL Insurance Limited has one statutory life fund. The disaggregated income statement and balance sheet between the statutory and shareholder funds is as follows:

Statement of income for the year ended 31 March 2017	Statutory $'000	Shareholder $'000	Total $'000
Insurance contract premiums	2,418	6,315	8,733
Outward reinsurance premium	(351)	(180)	(531)
Recoveries	353	552	905
Other insurance revenue	690	911	1,601
Insurance revenue	3,110	7,598	10,708
Claims expense	(978)	(4,415)	(5,393)
Increase in policy liabilities	(1,056)	-	(1,056)
Commission expense	(687)	(307)	(994)
Other expenses	(907)	(2,437)	(3,344)
Underwriting (loss)/profit	(518)	439	(79)
Investment income	956	51	1,007
Profit before taxation	438	490	928
Taxation	(123)	(279)	(402)
Profit after taxation	315	211	526

Statement of financial position as 31 March 2017	Statutory $'000	Shareholder $'000	Total $'000
Assets			
Investments backing insurance policy liabilities	25,049	56,920	81,969
Other assets	175	38,869	39,044
Total assets	25,224	95,789	121,013
Liabilities			
Life investment contract liabilities	12,847	-	12,847
Insurance contract liabilities	5,104	37,770	42,874
Deferred taxation	-	9,110	9,110
Other liabilities	231	3,872	4,103
Total liabilities	18,182	50,752	68,934
Solvency			
Actual Solvency capital	6,867	14,960	21,827
Minimum solvency capital	2,998	9,315	12,313
Solvency Margin	3,869	5,645	9,514

Statement of income for the year ended 31 March 2016	Statutory $'000	Shareholder $'000	Total $'000
Insurance contract premiums	2,586	6,412	8,998
Outward reinsurance premium	(257)	(182)	(439)
Other insurance revenue	531	73	604
Insurance revenue	2,860	6,303	9,163
Claims expense	(886)	(1,885)	(2,771)
Increase in policy liabilities	(953)	-	(953)
Insurance recoveries	8	-	8
Commission expense	(570)	(2,007)	(2,577)
Other expenses	(919)	(1,538)	(2,457)
Underwriting (loss)/profit	(460)	873	413
Investment income	923	63	986
Profit before taxation	463	936	1,399
Taxation	(185)	(263)	(448)
Profit after taxation	278	673	951

Statement of financial position as 31 March 2016	Statutory	Shareholder	Total
	$'000	$'000	$'000
Assets			
Investments backing insurance policy liabilities	29,004	10,010	39,014
Other assets	91	43	134
Total assets	29,095	10,053	39,148
Liabilities			
Life investment contract liabilities	15,629	-	15,629
Insurance contract liabilities	6,213	6,475	12,688
Other liabilities	835	1,344	2,179
Total liabilities	22,677	7,819	30,496
Solvency			
Actual Solvency capital	6,327	2,191	8,518
Minimum solvency capital	3,819	1,516	5,335
Solvency Margin	2,508	675	3,183

e.ii.) Disaggregated information

The business undertaken and policies accepted by DPL Insurance Limited are a combination of investment linked and non-investment linked. Investment linked business is business for which the life insurer issues a contract where the benefit amount is directly linked to the market value of the investments held in the particular investment linked fund. Non-investment linked business is life insurance business other than investment linked business.

2017 ($'000)	Investment Linked	Non-Investment Linked	Total
Premium income	-	8,202	8,202
Investment income	552	455	1,007
Claims expense	-	(5,393)	(5,393)
Other operating revenue	-	2,506	2,506
Other operating expenses	(126)	(4,985)	(5,111)
Investment revenues allocated to policyholders	(283)	-	(283)
Net profit before taxation	143	785	928
Net profit after taxation	103	423	526
Policy liabilities	12,847	42,874	55,721
Investment assets	12,766	59,377	72,143
Other assets	-	48,870	48,870
Other liabilities	-	13,213	13,213
Retained earnings	1,010	4,718	5,728

2016 ($'000)	Investment Linked	Non-Investment Linked	Total
Premium income	-	8,559	8,559
Investment income	1,083	48	1,131
Claims expense	-	(3,044)	(3,044)
Other operating revenue	-	583	583
Other operating expenses	(145)	(3,490)	(3,635)
Investment revenues allocated to policyholders	(774)	-	(774)
Net profit before taxation	164	1,234	1,398
Net profit after taxation	118	833	951
Policy liabilities	15,629	9,260	24,889
Investment assets	15,813	12,469	28,282
Other assets	-	5,315	5,315
Other liabilities	-	517	517
Retained earnings	907	4,295	5,202

f.) Managed funds and other fiduciary activities

DPL Insurance Limited acted as a promoter for a number of superannuation funds with assets managed by a third party investment manager. The assets and liabilities of these funds are included in the financial statements. Arrangements exist to ensure the activities of the superannuation funds are managed independently from the other activities of the company.

g.) Insurance risk

The insurance business of the Company involves a number of financial and non-financial risks. The financial risks are covered in Note 22. Key objectives in managing insurance risk are:

(i) To ensure sound business practices are in place for underwriting risks and claims management;
(ii) To achieve a target return on capital that is invested in order to take on insurance risk; and
(iii) To ensure solvency and capital requirements are met.

Life insurance

The life insurance business of the Company involves a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, and longevity risks accepted from policyholders. These risks are controlled through the use of underwriting procedures and adequate premium rates and policy charges, all of which are approved by the Actuary. Tight controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

Terms and conditions of life insurance contracts

The nature of the terms of the insurance contracts written by the Company is such that certain external variables can be identified on which related cashflows for claim payments depend. The tables below provide an overview of the key variables upon which the amount of related cashflows are dependent.

Type of contract	**Details of the contract workings**	**Nature of compensation for claims**	**Key variables affecting cash flows**
Non-participating life insurance contracts with fixed and guaranteed terms	Benefits paid on death or maturity are fixed and guaranteed and not at the discretion of the issuer	Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as whole.	Mortality, lapses, expenses and market earnings on assets backing the liabilities.
Life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies include a clearly defined initial guaranteed sum assured which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed. Regular bonuses are also added retrospectively.	Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract.	Mortality, lapses, expenses and market earnings on assets backing the liabilities.
Life Annuity Contracts	These policies provide guaranteed regular payments to the life assured.	The amount of the payment is set at inception of the policy.	Longevity, expenses and market earnings on assets backing the liabilities.

Non-life insurance
The risk management activities include prudent underwriting, pricing, and management of risk, together with claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance of the insurance operations and to ensure sound business practices are in place for underwriting risks and claims management.

Claims
Variations in claim levels will affect reported profit and equity. The impact may be magnified if the variation leads to a change in actuarial assumptions which cannot be absorbed within the present value of planned margins for a group of related products.

Insurance risk may arise through the reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. Insurance risk is controlled by ensuring underwriting standards adequately identify potential risk, retaining the right to amend premiums on risk policies where appropriate. The experience of the Company's life insurance business is reviewed regularly.

Concentration of insurance risk
The Company aims to maintain a portfolio of policyholders with a broad spread of insurance risk types, ages, sexes, occupation classes and geographic locations. The Company uses reinsurance to limit the insurance risk exposure for any one individual.

Sensitivity analysis
The liabilities included in the reported results are calculated using certain assumptions about key variables as disclosed above. Sensitivity analysis is conducted to assess the impact of actual experience being different to that assumed in the calculation of liabilities. Movements in any variable will impact the profit and net assets of the Company. The tables below describe how a change in actual experience relative to that expected will effect next financial year's expected shareholder profit.

Variable	Impact of movement in underlying variable
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and shareholders equity
Interest rate risk	Depending on the profile of the investment portfolio, the investment income of the Company will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and shareholder equity depends on the relative profiles of assets and liabilities, to the extent that these are not matched
Mortality rates	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims, increasing associated claims cost and therefore reducing profit and shareholder equity
Discontinuance	The impact of discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on profit and shareholder equity. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates
Market Risk	For benefits which are not contractually linked to the underlying assets, the Company is exposed to Market Risk

The table below illustrates how changes in key assumptions would impact the reported profit and liabilities of the Company

As at 31 March 2017 – Result of change in assumptions

$'000	Effect on Policy Liability	Effect on Future Profit Margins
Market risks		
Increase in interest rates of 1%	(211)	(53)
Decrease in interest rates of 1%	234	57
Insurance risks		
Increase in expenses of 10%	917	(33)
Decrease in expenses of 10%	(917)	33
Increase in mortality by 10%	(4)	(268)
Decrease in mortality by 10%	4	294
Worsening of discontinuance rate by 10%	-	80
Improvement in discontinuance rate by 10%	-	(90)

As at 31 March 2016– Result of change in assumptions

$'000	Effect on Policy Liability	Effect on Future Profit Margins
Market risks		
Increase in interest rates of 1%	(202)	(55)
Decrease in interest rates of 1%	224	60
Insurance risks		
Increase in expenses of 10%	1	(35)
Decrease in expenses of 10%	(1)	35
Increase in mortality by 10%	(4)	(284)
Decrease in mortality by 10%	4	311
Worsening of discontinuance rate by 10%	-	83
Improvement in discontinuance rate by 10%	-	(93)

28. RECONCILIATION OF PROFIT AFTER TAXATION TO CASHFLOWS FROM OPERATING ACTIVITIES

	2017 $'000	2016 $'000
Profit after taxation	526	951
Add/(less) non-cash items:		
Non-cash movement in reverse mortgages	(825)	(712)
Net unrealised (gains)/losses on investments	(552)	(1,083)
Policyholder liabilities	1,988	3,082
Provision for impairment	16	9
Depreciation and Amortisation Expense	96	78
Add/(less) movements in working capital items:		
Receivables	(1,533)	(1,484)
Other payables	620	(1,000)
Add Working Capital items treated as investing activities	(3)	(11)
Add Working Capital items treated as financing activities	46	51
Net cash outflow from operating activities	379	(119)

29. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has no material commitments or contingent liabilities at 31 March 2017 (2016: Nil).

30. SUBSEQUENT EVENTS AFTER BALANCE DATE

There were no material events subsequent to balance date.

31. FINANCIAL STRENGTH RATING

DPL Insurance Limited has been issued a Financial Strength Rating of B+ (Good) and an Issuer Credit Rating of bbb- (Good), with the outlook assigned to both ratings as 'Stable' by A.M. Best. The rating was reaffirmed by A.M. Best on the 29 June 2017.

Davies Financial and Actuarial Limited

26th June 2017

To: The Directors
DPL Insurance Limited

From: Peter Davies
Appointed Actuary

Re: DPL Insurance Limited: Report as at 31st March 2017 under Sections 77 and 78 of the Life Assurance (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 DPL Insurance Limited as at 31st March 2017. "Actuarial information" includes the following:

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

2. No limitations have been placed on my work.

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

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

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

6. DPL Insurance Limited exceeded the minimum capital requirement of the RBNZ solvency standard for Life Insurers as at 31st March 2017.

   I have prepared a set of projections of the Company's Statutory and Shareholder funds for the next four years, based on current valuation assumptions and on management business plans and projected expense levels. These projections indicate that both funds, and the Company as a whole, are expected to meet the RBNZ solvency requirements at all times over this period.

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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