GORDIAN RUNOFF LIMITED
NEW ZEALAND BRANCH
REISSUED

FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2015

GORDIAN RUNOFF LIMITED

NEW ZEALAND BRANCH

DIRECTORS' REPORT

AS AT 31 DECEMBER 2015

The directors present their report on Gordian RunOff Limited New Zealand Branch (the "Branch") for the year ended 31 December 2015.

DIRECTORS

The directors of the Company in office during the financial year and until the date of this report are:

Bruce Bollom	Appointed 05 March 2008
Richard Harris	Appointed 09 August 2011, Resigned 19 November 2015
Nick Packer	Appointed 19 March 2008
Gary Potts	Appointed 05 March 2008
Jann Skinner	Appointed 07 November 2008
Mark Smith	Appointed 19 November 2015

Details relating to directors can be found in Note 13

PRINCIPAL ACTIVITIES

The Branch is a branch of the Gordian Runoff Limited (the "Company"). The Company formed part of Enstar Group Limited at 31 December 2015. The principal activities of the Branch during the financial year 2015 were running off reinsurance insurance portfolios. There have been no significant changes in the nature of those activities during the year.

The operations of the Company and the Branch have been outsourced to Enstar Australia Limited. The Company is limited by shares and is incorporated and domiciled in Australia. The registered office and the principal place of business is Level 9, 220 George Street, Sydney, NSW.

REVIEW OF OPERATIONS AND RESULTS

Net profit for the year was \$165,670 (2014: \$299,735) after an income tax expense of \$71,002 (2014: \$128,458).

DIVIDENDS AND DISTRIBUTIONS

During the year the Branch repatriated \$1,000,000 (2014:nil) to the Company.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the financial year.

LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Branch and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Branch.

GORDIAN RUNOFF LIMITED

NEW ZEALAND BRANCH

DIRECTORS' REPORT

AS AT 31 DECEMBER 2015

EVENTS OCCURRING AFTER THE REPORTING DATE

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect:

(i) the Branch's operations in future financial years; or

(ii) the results of those operations in future financial years; or

(iii) the Branch's state of affairs in future financial years.

ENVIRONMENTAL

The Branch's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or State or Territory.

DIRECTORS' BENEFITS

No director has, since the end of the previous financial year, received or become entitled to receive, a benefit (other than a benefit associated with their normal remuneration) by reason of a contract made by the Company, a controlled entity or a related body corporate with the director or with a firm of which the director is a member or with an entity in which the director has a substantial financial interest.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into a deed with each current director in which it agrees to indemnify, to the extent permitted by law, the director against any liability arising out of:

(i) the conduct of the business of the Company; and

(ii) the discharge of the director's duties as a director of the Company.

The current directors and officers of the Company are insured under the Enstar Group policy against certain liabilities.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the insurance contracts, as such disclosure is confidential under the terms of the contracts.

GORDIAN RUNOFF LIMITED

NEW ZEALAND BRANCH

DIRECTORS' REPORT

AS AT 31 DECEMBER 2015

Signed in accordance with a resolution of the Directors.

Director

Signed at Sydney this 10th day of June 2016

Director

Signed at Sydney this 10th day of June 2016

GORDIAN RUNOFF LIMITED

NEW ZEALAND BRANCH

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 Dec 2015 $	Year ended 31 Dec 2014 $
Premium revenue	5	-	10
Net premium revenue		-	10
Claims benefit	7	162,877	228,705
Net claims benefit		162,877	228,705
Other underwriting income		11,738	84,773
Underwriting income		174,615	313,488
Net investment income	5	62,845	117,814
Underwriting profit		237,460	431,302
Management expenses		(788)	(3,109)
Operating profit before tax		236,672	428,193
Income tax expense	6	(71,002)	(128,458)
Profit for the year		165,670	299,735
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to members of Gordian RunOff Limited		165,670	299,735

The accompanying notes form an integral part of these financial statements.

GORDIAN RUNOFF LIMITED

NEW ZEALAND BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	As at 31 Dec 2015 $	As at 31 Dec 2014 $
Current assets			
Cash		1,389,645	232,961
Reinsurance and other recoveries receivable	10 (b)	16,048	17,094
Financial assets at fair value through profit or loss	9	932,372	2,067,928
Other receivables	8	607,717	650,492
Total current assets		2,945,782	2,968,475
Non current assets			
Financial assets at fair value through profit or loss	9	-	941,440
Total non current assets		-	941,440
Total assets		2,945,782	3,909,915
Current liabilities			
Outstanding claims	10 (a)	162,763	221,972
Trade creditors	11	908,480	831,057
Total current liabilities		1,071,243	1,053,029
Non current liabilities			
Outstanding claims	10 (a)	488,288	636,305
Total non current liabilities		488,288	636,305
Total liabilities		1,559,531	1,689,334
Net assets		1,386,251	2,220,581
Head office account			
Head office account	17	1,386,251	2,220,581

The accompanying notes form an integral part of these financial statements.

GORDIAN RUNOFF LIMITED

NEW ZEALAND BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Head Office Account $
At 1 January 2014	1,920,846
Profit for the year and total comprehensive income	299,735
At 31 December 2014	2,220,581
Profit for the year and total comprehensive income	165,670
Intracompany transactions for the year	(1,000,000)
At 31 December 2015	1,386,251

The accompanying notes form an integral part of these financial statements.

GORDIAN RUNOFF LIMITED

NEW ZEALAND BRANCH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Interest received		157,473	106,130
Claim & other payments		-	(40,486)
Payments to suppliers		(789)	(503)
Cash flows from operating activities	19(b)	**156,684**	**65,141**
Cash flows from/(used in) investing activities			
Proceeds from maturity of investments		2,000,000	1,540,355
Purchase of investments		-	(1,954,874)
Cash flows from/(used in) investing activities		**2,000,000**	**(414,519)**
Cash flows used in financing activities			
Head Office/branch repatriation		(1,000,000)	-
Cash flows used in financing activities		**(1,000,000)**	-
Net increase/(decrease) in cash held		**1,156,684**	**(349,378)**
Balance at the beginning of the year		232,961	582,339
Balance at the end of the year	19(a)	**1,389,645**	**232,961**

1. Statement of accounting policies

Reporting Entity:

Gordian RunOff Limited (the "Company") is an overseas company registered under the Companies Act 1993. Gordian RunOff Limited New Zealand Branch (the "Branch") is a branch of the Company. The Branch is registered under the Companies Act 1993 and is an FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013 ("the Act") and the financial statements have been prepared in accordance with the requirements of the Act and the Financial Reporting Act 2013.

For the purpose of financial reporting the branch is a For-Profit entity.

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZGAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards as appropriate for Tier 1 For-Profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were originally issued on 22 April 2016. The financial statements were subsequently not accepted by the New Zealand Companies Office due to non-compliance with the Financial Reporting Act 2013 for not including a cash flow statement. They were subsequently re-issued on 10 June 2016 in full compliance with the Act and the Financial Reporting Act 2013.

These are the Branch's first financial statements prepared in accordance with Tier 1 and NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied. As the Branch has previously complied with all the recognition, measurement and classification requirements of NZ IFRS and has not elected any options under NZ IFRS 1, there is no impact on the reported Head Office Account of the Branch.

Adoption of new standards and changes in accounting policies

The following accounting standards and interpretation was issued but is not yet mandatory and has not been adopted by the Branch for the financial year ended 31 December 2015.

An assessment of the impact of the new or amended standards is set out below:

NZ IFRS 9 Financial Instruments includes requirements for the classification, measurement and recognition of financial assets and financial liabilities, The IASB have deferred the application date of NZ IFRS 9 until 1 January 2018. Retrospective application is generally required, although there are exceptions. As the branch currently classifies is financial assets either at amortised cost or fair value through the profit and loss, no material impact is expected on the Branch's Statement of Comprehensive Income or Balance Sheet on adoption of this standard, however, the Branch continues to monitor the impact of this standard.

NZ IFRS 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including:

1. Statement of accounting policies (continued)

Reporting Entity (continued)

NZ IAS 11 Construction Contracts
NZ IAS 18 Revenue
NZ IFRIC 13 Customer Loyalty Programmes
NZ IFRIC 15 Agreements for the Construction of Real Estate
NZ IFRIC 18 Transfers of Assets from Customers
NZ SIC-31 Revenue- Barter Transactions Involving Advertising Services

NZ IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Branch will assess the potential impact on statements resulting from the application of NZ IFRS 15.

The financial statements are presented in New Zealand dollars.

(a) Operating revenue

Operating revenue comprises investment income, reinsurance recoveries, premium revenue, and other underwriting income. Investment income is brought to account on an accrual basis.

(b) Premium revenue

Premium revenue comprises premium from reinsurance business. Premium revenue includes amounts charged to the policyholders or other insurers, including fire service levies but excluding stamp duties, GST and other amounts collected on behalf of third parties.

As the Branch has been in runoff since 1999, all premiums have been fully earned. The Branch still processes adjustments to premiums as well as reinstatement premiums however these all relate to prior year policies.

(c) Outstanding claims

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Branch, with an additional risk margin to allow for the inherent uncertainty in the best estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The liability for outstanding claims includes an allowance for inflation and superimposed inflation and is measured as the present value of the expected future ultimate cost of settling claims. The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the best estimate. This risk margin increases the probability that the net liability is adequately provided for to at least a 75% confidence level.

1. Statement of accounting policies (continued)

(d) Reinsurance and other recoveries

Reinsurance and other recoveries consist of receivables on paid claims, and are recognised as revenue when claims are paid. Reinsurance and other receivables are recognised initially at fair value being the amounts receivable. A provision for impairment is recognised when there is objective evidence that the Branch will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the statement of comprehensive income. Bad debts are written off as incurred.

(e) Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. A provision for impairment is recognised when there is objective evidence that the Branch will not be able to collect all amounts due according to the original terms of the receivables. The impairment charge is recognised in the statement of comprehensive income. Bad debts are written off as incurred.

(f) Investments

Valuation of investments

Investments are reported at fair value. The fair value of investments is determined by market quotations. Unrealised gains and losses on investments are reported in profit in the statement of comprehensive income. Interest revenue is brought to account on an accrual basis. Investments comprise financial assets held to back insurance liabilities.

The following policies apply to assets held to back general insurance liabilities.

Financial assets
Financial assets are designated at fair value through profit or loss. Initial recognition is at cost in the statement of financial position and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the statement of comprehensive income. Details of fair value for the different types of financial assets are listed below:

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand that is available on demand and deposits held at call and on term with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount.

Debt securities
Debt securities are initially recognised at fair value, representing the purchase cost of the asset exclusive of any transaction costs. Debt securities are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the statement of comprehensive income for the period in which they arise. The fair value of a traded interest bearing security reflects the bid price at balance date and accrued interest. Interest bearing securities that are not frequently traded are valued by discounting the estimated recoverable amounts, using prevailing interest rates. Debt securities are accounted for on a trade date basis.

1. Statement of accounting policies (continued)

(g) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. A trade receivable is deemed to be uncollectible upon notification of insolvency of the debtor or upon receipt of similar evidence that the Branch will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 loss was recognised, the previously recognised impairment loss is reversed.
In respect of financial assets carried at amortised cost, with the exception of trade receivables, the impairment loss is reversed through profit or loss in the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Subsequent recoveries of trade receivables previously written off are credited against the allowance account.

(h) Payables

Trade payables and other accounts payable are recognised when the Branch becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Income tax

The entity is not liable to pay income tax in New Zealand as the entity was a non-resident throughout 2014-2015 and did not carry on business through a fixed establishment in New Zealand. Tax expense relates to the Branch's proportion of the tax payable by the Company in Australia.

(j) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

Assets and liabilities expressed in other currencies are translated to the functional currency using the closing exchange rate at the reporting date and income and expenses are translated using the average exchange rate for the year. Realised and unrealised foreign exchange gains and losses resulting from this translation are recognised in the Statement of Comprehensive Income.

2. Critical accounting judgements and estimates

The Branch makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgments 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 key areas in which critical estimates and judgments are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at year-end for the estimated cost of claims incurred but not settled at the statement of financial position date, including the cost of claims incurred but not yet reported to the Branch.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Branch takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Branch, where more information about the claim event is generally available. IBNR claims may often not be reported to the insurer until many years after the events giving rise to the claims has happened. The liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short tail classes, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Branch uses a variety of estimation techniques, generally based upon analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Branch processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- the impact of large losses;
- movements in industry benchmarks.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Branch adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions. Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in note 3.

2. Critical accounting judgements and estimates (continued)

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Branch may not receive amounts due to it and these amounts can be reliably measured.

3. Actuarial methods and assumptions

The Branch ceased writing new business and renewals in late 1999 and has run an orderly runoff since. During 2011, the Branch completed the acquisition of an inwards reinsurance portfolio in runoff. The process for determining the value of the outstanding claims liability is described below.

Claims estimates are derived from analysis of the results of several different actuarial models. These models take case estimates as well as payments into account and assume that reported incurred amounts or reported payment amounts will develop steadily from period to period. Other models adopt IBNR to Case Estimate ratios based on industry experience and judgement that also incorporates recent experience. The analysis is performed by either underwriting year or accident year dependent on the class of business.

Claims are first estimated on an undiscounted basis and are then discounted to allow for the time value of money. The valuation methods adopted include an implicit allowance for future inflation but do not identify the explicit rate. This allows for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent.

The liability class of business may be subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date. Such uncertainties are considered when setting the risk margin appropriate for this class.

A description of the processes used to determine the key assumptions is provided below.

The **average weighted term to settlement** is calculated separately by class of business, based on historical settlement patterns.

The **discount rates** are derived from market yields on Government securities as at the balance date, in the currency of the expected claim payments.

Expense rate Claims handling expenses are calculated based on a fixed CAE percentage ratio derived from historical experience. Historical experience was observed from 2013 to 2015 based on the ratio of CAE at year end to loss reserve at year end. The loss reserve at year end is represented by Gordian's gross undiscounted reserves, excluding CAE, risk margin and non-actuarial adjustments.

The **ultimate to incurred claims ratio** is derived by accident or underwriting year based on historical development of claims from period to period. The effect of changes in the assumptions have been shown in the reconciliations of general insurance assets and liabilities below.

The effect of changes in the assumptions has been shown in the reconciliation of general insurance assets and liabilities in note 10.

3. Actuarial methods and assumptions (continued)

Process for determining risk margin

The risk margin was determined initially for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio taking into account past volatility in general insurance claims, potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, and the general insurance environment. The estimate of uncertainty is generally greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims.

The overall risk margin was determined allowing for diversification between the different portfolios and the relative uncertainty of each portfolio. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision that is intended to have at least a 75% probability of adequacy.

	2015	2014
	%	%
Risk margins applied	5.4	3.0

Sensitivity analysis – general insurance contracts

There are a number of variables which impact the amounts recognised in the financial statements arising from insurance contracts.

The profit or loss and head office account of the Branch are sensitive to movements in a number of key variables as described below.

Variable	Description of variable
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability.
Ultimate to incurred claims ratio	The estimated ultimate claims cost is generally greater than the claims reported as incurred to date, due to claims that are incurred but not reported (IBNR) or due to future developments on existing claims.

3. Actuarial methods and assumptions (continued)

The following table provides an analysis of the sensitivity of the profit after income tax and total equity to changes in these assumptions both gross and net of reinsurance.

2015

Variable	Change in variable	Assumption at 12/15 Gross	Assumption at 12/15 Net	Profit/(loss) after tax Gross $	Profit/(loss) after tax Net $
Average weighted term to settlement	+0.5 year	2.5 years	2.5 years	3,498	3,498
	-0.5 year			(3,526)	(3,526)
Discount rate[1]	+1%	2.0%	2.0%	10,922	10,922
	-1%			(10,663)	(10,663)
Expense rate	+1%	7.0%	7.0%	(3,793)	(3,793)
	-1%			3,793	3,793
Ultimate to incurred claims ratio	+1%	101.0%	102.0%	(20,962)	(20,962)
	-1%			20,632	20,632

2014

Variable	Change in variable	Assumption at 12/14 Gross	Assumption at 12/14 Net	Profit/(loss) after tax Gross $	Profit/(loss) after tax Net $
Average weighted term to settlement	+0.5 year	2.2 years	2.2 years	5,093	5,093
	-0.5 year			(5,137)	(5,137)
Discount rate[1]	+1%	1.7%	1.7%	12,779	12,779
	-1%			(12,393)	(12,393)
Expense rate	+1%	6.2%	6.2%	(5,239)	(5,239)
	-1%			5,239	5,239
Ultimate to incurred claims ratio	+1%	101.2%	103.0%	(27,870)	(27,870)
	-1%			27,350	27,350

1. This sensitivity reflects the liability movements only.

4. Risk management policies and procedures and financial instruments

Operations of the Branch are governed by the risk management policies and practices of the Company. The Company has a risk management strategy for identifying, managing, monitoring and reporting on risks that could have a material impact on its operations.

There are a number of bodies and individuals associated with the Company that manage and monitor financial risk. These are:

The Board of Directors
The Board has ultimate responsibility for risk management, governance and compliance, and ensuring that an appropriate and effective risk framework is in place and operating effectively. The Board is assisted in fulfilling its obligations by the following delegated Board Committees:

The Board Audit and Risk Committee
The Board Audit and Risk Committee is responsible for ensuring the existence of an effective financial and risk management framework.

The Board Remuneration Committee
The Board Remuneration Committee is responsible for ensuring the existence of an effective risk remuneration framework.

The Appointed Actuary
The Appointed Actuary is responsible for the claims liability valuation. A report based on this, the Insurance Liability Valuation report (ILVR) is prepared annually.

As part of the overall governance framework, the Board and senior management have developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. There is a documented strategy/policy of how risks will be managed based on the detailed Risk Appetite Statements approved by the Board. The Risk Appetite Statements takes into account both quantitative and qualitative measures and are regularly reviewed by management and the Board.

Key aspects of the processes established in the RMS to mitigate risks include:

- A formal regular process of risk identification and evaluation, supplemented by a documented control assessment process, is completed by management and communicated to the Board in line with the Board approved Risk Management Strategy.
- Actuarial models, using information from management information systems, to monitor claims patterns and other relevant statistics. Past experience and statistical methods are used as part of the process.
- The maintenance and use of various specialist information systems, which provide up to date and reliable data on claims liabilities.
- Documented procedures that are followed by claims staff that are experienced in the various classes of business previously written.

4. Risk management policies and procedures and financial instruments (continued)

- Reinsurance programs are monitored and the REMS provides that exposures continue to be monitored and where feasible reinsurance be purchased as means of limiting risk if necessary.

- The mix of investment assets is driven by the nature and term of the insurance liabilities. A Board approved investment policy determines the mix and structure of the investment portfolio. The management of assets and liabilities is monitored in an attempt to match cashflows and currencies of claim payments.
- Stress testing is applied to a number of scenarios to monitor the impact on capital.

Risk and mitigation

The Branch's activities expose it to a variety of risks. The major risks associated with insurance contracts include:

(a) Development of claims
There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 10 (c) show the estimates of total ultimate claims at successive year-ends.

(b) Terms and conditions of direct and inwards reinsurance business
There is limited scope to improve the existing terms and conditions. The Branch has been in orderly run off since 1999.

(c) Concentration of insurance risk
The exposure to concentrations of insurance risk can be mitigated with the purchase of reinsurance where management believes that the price/risk transfer is suitable.

Financial risks include:

(a) Interest rate risk
Interest rate risk arises to the extent that there is a mismatch between the fixed-interest portfolios used to back the outstanding claims liability and those outstanding claims. Interest rate risk is managed by considering the duration profiles of the investment assets and the outstanding claims liability and duration matching where deemed appropriate by management. The entity accepts interest rate risk on its unmatched position, with the investment portfolio held currently of a shorter duration.

The accounting policy notes describe the policies used to measure and report the assets and liabilities of the Branch. Where the applicable market value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the statement of comprehensive income.

The Branch seeks to reduce its interest rate risk through the use of investment portfolios as a hedge against its insurance liabilities. To the extent that these assets and liabilities can be matched, unrealised gains or losses on revaluation of liabilities resulting from interest rate movements will be offset by unrealised losses or gains on revaluation of investment assets. The invested assets are held in New Zealand dollars.

4. Risk management policies and procedures and financial instruments (continued)

(a) Interest rate risk (continued)

The following table summarises the branch's financial assets and liabilities subject to interest rate risk:

2015	**Note**	**1 year or less**	**Over 1 to 5 years**	**Variable Rate**	**Non-interest bearing**	**Total**
		$	**$**	**$**	**$**	**$**
Financial assets:						
Cash and cash equivalents		1,100,667	-	288,978	-	1,389,645
Reinsurance and other recoveries	10(b)	-	-	-	16,048	16,048
Other receivables	8	-	-	-	607,717	607,717
Financial assets at fair value through profit and loss	9	932,371	-	-	-	932,371
Total		**2,033,039**	**-**	**288,978**	**623,765**	**2,945,782**
Weighted average interest rate		2.80%	-	variable	-	-
Financial liabilities:						
Outstanding claims	10(a)	-	-	-	651,050	651,050
Reinsurance payables	11	-	-	-	30,592	30,592
Related party creditor	11	-	-	-	877,888	877,888
Total		**-**	**-**	**-**	**1,559,531**	**1,559,531**
Net assets						**1,386,251**

2014	**Note**	**1 year or less**	**Over 1 to 5 years**	**Variable Rate**	**Non-interest bearing**	**Total**
		$	**$**	**$**	**$**	**$**
Financial assets:						
Cash and cash equivalents		-	-	232,961	-	232,961
Reinsurance and other recoveries	10(b)	-	-	-	17,094	17,094
Other receivables	8	-	-	-	650,492	650,492
Financial assets at fair value through profit and loss	9	2,067,928	941,440	-	-	3,009,368
Total		**2,067,928**	**941,440**	**232,961**	**667,586**	**3,909,915**
Weighted average interest rate		3.74%	4.16%	variable	-	-
Financial liabilities:						
Outstanding claims	10(a)	-	-	-	858,277	858,277
Reinsurance payables	11	-	-	-	24,170	24,170
Related party creditor	11	-	-	-	806,887	806,887
Total		**-**	**-**	**-**	**1,689,334**	**1,689,334**
Net assets						**2,220,581**

4. Risk management policies and procedures and financial instruments (continued)

(a) Interest rate risk (continued)

Interest rate sensitivity analysis

The following table demonstrates the impact of a 100 basis point change in New Zealand interest rates, with all other variables held constant, on the Branch's shareholder return. It is assumed that the change occurs as at the reporting date (31 December) and there are concurrent movements in interest rates and parallel shifts in yield curves.

	31 Dec 15 Impact on profit after tax $	**31 Dec 14** Impact on profit after tax $
+100 basis points	(4,333)	(11,420)
- 100 basis points	4,413	11,698

(b) Reinsurance risk

Reinsurance risk management is the process of transferring insurance risk to another insurer for a price. It is a continual process whereby executive management select, monitor, review, control and document reinsurance arrangements, in accordance with a reinsurance management strategy approved by the Board. Reinsurers must carry an appropriate financial strength rating.

(c) Concentration of insurance risk

The exposure to concentrations of insurance risk can be mitigated with the purchase of reinsurance where management believes that the price/risk transfer is suitable.

(d) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

The Branch recognises it is exposed to foreign currency risk on liabilities which it is willing to absorb. Liabilities are currency matched at the Company level to minimise currency risk to the entity.

(e) Liquidity risk

Liquidity risk is the risk that the branch will not be able to meet its debt obligations or other cash outflows as they fall due because of lack of liquid assets. The branch manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and considering the matching of the maturity profiles of assets and liabilities.

4. Risk management policies and procedures and financial instruments (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Branch's financial liabilities at 31 December based on contractual undiscounted obligations.

2015	**Up to 1 year**	**2 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total**
Financial liabilities	$	$	$	$	$
Outstanding claims	168,875	303,975	202,651	-	675,501
Trade creditors	908,480	-	-	-	908,480
Total	**1,077,355**	**303,975**	**202,651**	**-**	**1,583,981**

2014	**Up to 1 year**	**2 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total**
Financial liabilities	$	$	$	$	$
Outstanding claims	222,509	400,516	267,011	-	890,036
Trade creditors	831,057	-	-	-	831,057
Total	**1,047,368**	**389,359**	**259,572**	**-**	**1,696,299**

(f) Credit risk

Credit risk arising from insurance contracts principally relates to the risk of default by reinsurers. Credit risk arising from assets is the risk that a loss will be incurred because customers or counterparties fail to discharge their contractual obligations.

The Branch's principal exposure to credit risk is from cash and cash equivalents, intracompany receivable and financial assets at fair value through profit and loss. Other than financial instruments there are no significant concentrations of credit risk. The Branch has significant credit exposure to National Australia Bank and Bank of New Zealand. National Australia Bank and Bank of New Zealand have a Standard and Poor's credit rating of AA.

The table below provides information regarding the credit risk exposure of the Branch by classifying assets according to the Branch's credit rating of counter parties:

	2015		**2014**	
	Reinsurance and other recoveries	**Other financial instruments**	**Reinsurance and other recoveries**	**Other financial instruments**
	$	**$**	**$**	**$**
AA	-	1,972,472	-	2,496,119
A	-	349,545	-	746,210
Not rated	16,048	-	17,094	-
Total	**16,048**	**2,322,017**	**17,094**	**3,242,329**

4. Risk management policies and procedures and financial instruments (continued)

(g) Fair value

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and other investments are under and in Note 1.

Categories of financial instruments	**Note**	**As at 31 Dec 2015**	**As at 31 Dec 2014**
Fair value through the profit and loss:		**$**	**$**
Financial assets			
Cash and cash equivalents		1,389,645	232,961
Reinsurance and other recoveries	10 (b)	16,048	17,094
Other receivables	8	607,717	650,492
Financial assets at fair value through profit or loss	9	932,372	3,009,368
Financial liabilities			
Outstanding claims	10 (a)	651,051	858,277
Reinsurance payables	11	30,592	24,170
Related party creditor	11	877,888	806,887

The recorded bid price equates to net fair value for listed debt securities. For the following financial instruments, the cost carrying amount is considered to equate to their fair value:

- cash and term deposits
- receivables
- trade creditors

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

Financial assets at fair value through profit or loss (FVTPL)

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Corporate bonds	-	932,372	-	932,372
Total investments at FVTPL	**-**	**932,372**	**-**	**932,372**
Expected to be realised				
- in less than 12 months	-	932,372	-	932,372
Total investments at FVTPL	**-**	**932,372**	**-**	**932,372**

There were no transfers between different levels of fair value hierarchy during the period.

4. Risk management policies and procedures and financial instruments (continued)

(g) Fair value (continued)

Financial assets at fair value through profit or loss (FVTPL)

	2014			
	Level 1 $	Level 2 $	Level 3 $	Total $
Government and semi-government bonds	-	1,049,747	-	1,049,747
Corporate bonds	-	1,959,621	-	1,959,621
Total investments at FVTPL	**-**	**3,009,368**	**-**	**3,009,368**
Expected to be realised				
- in less than 12 months	-	2,067,928	-	2,067,928
- in more than 12 months	-	941,440	-	941,440
Total investments at FVTPL	**-**	**3,009,368**	**-**	**3,009,368**

There were no transfers between different levels of fair value hierarchy during the period.

5. Operating profit

Operating revenue	**Year ended 31 Dec 2015 $**	**Year ended 31 Dec 2014 $**
Operating surplus has been arrived at after including:		
Premium revenue	-	10
Net investment income	62,845	117,814
Other underwriting income	11,738	84,773
Total operating revenue	**74,583**	**202,597**

Net investment income		
Interest income	142,188	112,608
Revaluation of investments	(76,328)	6,986
Other investment expense	(3,015)	(1,780)
Net investment income	**62,845**	**117,814**

6. Income tax

The Branch is not liable to pay income tax in New Zealand as the Branch was a non-resident throughout 2015 and 2014 and did not carry on business through a fixed establishment in New Zealand. Tax expense relates to the Branch's proportion of the tax payable by the Company in Australia.

(a) Analysis of income tax expense

	Year ended 31 Dec 2015 $	Year ended 31 Dec 2014 $
Current tax	(71,002)	(128,458)
Income tax expense	**(71,002)**	**(128,458)**

(b) Reconciliation of prima facie tax payable to income tax expense

	Year ended 31 Dec 2015 $	Year ended 31 Dec 2014 $
Operating profit before tax	236,672	428,193
Prima facie income tax on operating profit at 30% (2014: 30%)	(71,002)	(128,458)
Income tax expense	**(71,002)**	**(128,458)**

(c) Analysis of Income Tax Payable

	Year ended 31 Dec 2015 $	Year ended 31 Dec 2014 $
Opening balance at 1 January	-	-
Additional provisions recognised	71,002	128,458
Transfer of tax payable to related parties	(71,002)	(128,458)
Closing balance 31 December	-	-

7. Net claims benefit

	Year ended 31 Dec 2015 $	Year ended 31 Dec 2014 $
Current		
Gross claims benefit – discounted	162,877	228,705
Net claims benefit – discounted	162,877	228,705
Net claims benefit	**162,877**	**228,705**

7. Net claims benefit (continued)

Net claims incurred

Current year claims relate to risks borne in the current financial year. Prior period claims relate to a reassessment of the risks borne in all previous years.

	Year ended 31 Dec 2015 $	31 Dec 2015 Prior years $	31 Dec 2015 Total $	Year ended 31 Dec 2014 $	31 Dec 2014 Prior years $	31 Dec 2014 Total $
Gross claims benefit – undiscounted	-	170,187	170,187	-	251,088	251,088
Net claims benefit – undiscounted	-	170,187	170,187	-	251,088	251,088
Discount movement - gross claims released	-	(7,310)	(7,310)	-	(22,383)	(22,383)
Net discount movement	-	(7,310)	(7,310)	-	(22,383)	(22,383)
Net claims benefit	**-**	**162,877**	**162,877**	**-**	**228,705**	**228,705**

8. Other receivables

	As at 31 Dec 2015 $	As at 31 Dec 2014 $
Current		
Other receivables	-	16,276
Other receivables - related party	607,717	634,216
	607,717	**650,492**

9. Financial assets at fair value through profit or loss

	As at 31 Dec 2015 $	As at 31 Dec 2014 $
Current		
Government fixed interest security	-	1,049,747
Corporate bonds	932,372	1,018,181
	932,372	2,067,928
Non current		
Corporate bonds	-	941,440
	932,372	941,440
Total financial assets at fair value through profit or loss	**932,372**	**3,009,368**

10. Outstanding claims

		As at 31 Dec 2015 $	As at 31 Dec 2014 $
(a)	Central estimate	642,180	865,242
	Risk margin	33,321	24,794
	Discount to present value	(24,450)	(31,759)
	Liability for outstanding claims	651,051	858,277
	Comprising:		
	Current	162,763	221,972
	Non-current	488,288	636,305
		651,051	858,277
	Outstanding claims	**651,051**	**858,277**
(b)	Reinsurance and other recoveries	16,048	17,094
	Comprising:		
	Current		
	Reinsurance and other recoveries - on paid claims	16,048	17,094
		16,048	**17,094**

(c) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated by class of business as follows:

	2015	2014
Short tail outstanding claims	Less than 12 months	Less than 12 months
Long tail outstanding claims	2.50 years	2.13 years

(d) The following average discount rates were used to measure the liability for outstanding claims:

	2015	2014
Claims expected to be paid:		
Not later than 1 year		
- Discount rate	2.02% to 2.09%	2.26% to 2.51%
Later than 1 year		
- Discount rate	2.01% to 3.04%	2.09% to 2.95%

(e) The Company's Appointed Actuary is satisfied that the data adopted in the valuation of liabilities for the company as a whole is appropriate.

10. Outstanding claims (continued)

(f) Reconciliation of movement in discounted outstanding claims liability

2015

	Gross $	Reinsurance $	Net $
Amount outstanding brought forward	858,277	17,094	841,183
Claim payments/ recoveries during the period	(40,333)	(1,046)	(39,287)
Effect of changes in assumptions	(166,893)	-	(166,893)
Amount outstanding carried forward	**651,051**	**16,048**	**635,003**

2014

	Gross $	Reinsurance $	Net $
Amount outstanding brought forward	1,116,293	3,069	1,113,224
Claim payments/recoveries during the period	(30,874)	14,025	(44,899)
Effect of changes in assumptions	(227,142)	-	(227,142)
Amount outstanding carried forward	**858,277**	**17,094**	**841,183**

As described in note 1(c), the outstanding claims liability is the best estimate of the present value of the expected future payments, after the inclusion of a risk margin. At each balance date, the amount of the liability is reassessed and it is likely that changes will arise in the estimates of liabilities. The following table show the estimates of total ultimate claims at successive year ends.

10. Outstanding claims (continued)

Estimate of cumulative claims	Net	Gross
31 December 2006	13,200,656	19,345,143
31 December 2007	13,531,548	19,816,339
31 December 2008	8,150,419	22,025,520
31 December 2009	8,602,769	23,309,611
31 December 2010	8,341,748	22,471,881
31 December 2011	9,300,012	23,430,146
31 December 2012	9,464,993	23,595,128
31 December 2013	9,507,718	23,659,269
31 December 2014	9,256,815	23,408,366
31 December 2015	9,087,888	23,239,439
Estimate of cumulative claims at 31 December 2015	9,087,888	23,239,439
Cumulative payments	8,488,346	22,639,897
Undiscounted central estimate	**599,542**	**599,542**
Effect of discounting	22,010	22,010
Discounted central estimate	**577,532**	**577,532**
Risk margin		33,321
Claims administration expense provision		40,198
Gross outstanding claims as per the statement of financial position		**651,051**

11. Trade creditors

	As at 31 Dec 2015 $	As at 31 Dec 2014 $
Reinsurance payables	30,592	24,170
Related party creditor due to tax residency status	877,888	806,887
	908,480	**831,057**

12. Auditor's remuneration

Auditor's remuneration for the year ended 31 December 2015 and 31 December 2014 was paid on the Branch's behalf by the Company. The amount paid or payable to the auditor for audit services was $16,502 (2014:$15,057). The Company's auditor is KPMG.

13. Related party information

The immediate parent entity at 31 December 2015 is AG Australia Holdings Limited, incorporated in Australia. Enstar Group Limited, incorporated in Bermuda, is the ultimate parent entity.

Directors

The directors of the Company during the financial year are:

Bruce Bollom	Appointed 05 March 2008
Richard Harris	Appointed 09 August 2011, Resigned 19 November 2015
Nick Packer	Appointed 19 March 2008
Gary Potts	Appointed 05 March 2008
Jann Skinner	Appointed 07 November 2008
Mark Smith	Appointed 19 November 2015

Bruce Bollom (Chair of the Remuneration Committee)
Mr Bollom is a Certified Practicing Accountant. He is a director of Chubb Holdings Australia Pty Limited, ACE Insurance Limited, Agririsk Services Pty Limited, Macquarie Premium Funding Pty Limited and MBA Insurance Services Pty Limited. Mr Bollom was the Chief Executive Officer of Willis Australia Limited until December 2005 and has 35 years' experience in international insurance and reinsurance finance and management.

Richard Harris
Mr Harris served as the Chief Financial Officer of the Enstar Group Ltd from May 2003 to August 2015. From 2000 until April 2003, Mr. Harris served as Managing Director of Riverstone Holdings Limited & Subsidiary Companies, the European run-off operations of Fairfax Financial Holdings Limited. Previously, he served as the Chief Financial Officer of Sphere Drake Group.

Nick Packer
Mr Packer was a founding principal of Castlewood in 1994. Prior to 1994, Mr. Packer was Vice President of Anchor Underwriting Managers Limited from 1991 to 1993, and was joint deputy underwriter at CH Bohling & Others, a Syndicate at Lloyd's of London. In 2007 Castlewood merged with Enstar Ltd, and Mr. Packer currently serves as Joint Chief Operating Officer of Enstar Group Limited.

Gary Potts (Chair of the Board of Directors)
Mr Potts has more than 30 years' experience in public policy and government operations, mainly in the Federal Treasury. Mr Potts was a director of Defence Housing Australia for 6 years until the end of 2012. He is also Chairman of a not profit organisation,

Jann Skinner (Chair of the Board Audit and Risk Committee)
Ms Skinner is a Chartered Accountant, with 30 years international experience in audit and management with PricewaterhouseCoopers specialising in insurance and reinsurance. Ms Skinner is a director of QBE Insurance Group Limited, Tasmanian Public Finance Corporation and Create Foundation Limited a not-for-profit foundation, and has consulted to a claims run-off management company.

GORDIAN RUNOFF LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2015

13. Related party information (continued)

Mark Smith

Mr Smith has served as Chief Financial Officer of the Enstar Group Ltd since 15 August 2015. Prior to his appointment he was a Partner at Deloitte & Touche, Bermuda since 1988 in Deloitte's accounting and auditing services group, where he specialised in the insurance industry. Mr Smith has most recently served on various financial and insurance advisory committees including a Bermuda statutory committee that provides advice on insurance regulatory matters.

During 2015, the following transactions were conducted between the Branch and the Company:

	2015 $	2014 $
Allocation of tax liability	71,002	128,458
Claim and other payments paid on behalf of the branch	26,499	-
Head Office/branch repatriation	1,000,000	-

Aggregate amounts brought to account in respect to the following types of transactions and each class of related party involved were:

Amounts attributable to transactions with related parties	2015 $	2014 $
Net profit before income tax includes aggregate amounts attributable to transactions in respect of:		
Tax expense - other related parties	71,002	128,458
Head office/branch repatriation - other related parties	1,000,000	-

Amounts receivable from and payable to related parties	2015 $	2014 $
Aggregate amounts receivable at balance date from:		
Intercompany receivables - other related parties	607,717	634,216
Aggregate amounts payable at balance date to:		
Related party creditor due to tax residency status	877,888	806,887

No provision for doubtful debts has been raised by either the Branch or the Company in relation to any outstanding related party balances, and no expense has been recognized in respect of bad/doubtful debts due from related parties.

Terms and conditions

All related party transactions were made on normal commercial terms and conditions. Outstanding balances are unsecured and are payable in cash.

13. Related party information (continued)

Other transactions

Enstar Group Limited and Enstar Australia Limited, both related entities within the wholly owned group, provide operational and administrative (including employee related) services to the Branch and the Company. The services are reflected in the accounts of the Company, and are provided in the normal course of business and on normal commercial terms and conditions. These services have not been reflected in the accounts of the Branch.

14. Key Management Personnel

The key management personnel also provide services to the immediate parent and a number of fellow subsidiary undertakings for which payment is made by the immediate undertaking. It is not practical to apportion these emoluments received and therefore are not disclosed in respect of any key management personnel in these financial statements.

15. Capital expenditure commitments

There are no capital expenditure commitments at balance date (2014: $nil).

16. Contingent liabilities

There are no contingent liabilities at balance date (2014: $nil).

17. Reinsurance programme

The general insurance activities carried out by Gordian RunOff Limited New Zealand Branch is covered by a global reinsurance protection programme. This programme covers the general insurance policies written by, as they were known at the time, AMP General Insurance Limited and GIO General Insurance Limited and their controlled entities in Australia, New Zealand and the United Kingdom.

18. Head office account

As the insurer is in runoff and there is considered to be little risk of significant claims volatility in future periods, the Branch has not retained a specific amount for the purpose of financial soundness. The Branch is in a positive net asset position.

	As at 31 Dec 2015 $	As at 31 Dec 2014 $
Opening balance	2,220,581	1,920,846
Operating profit/(loss) after tax	165,670	299,735
Head Office/branch repatriation(Note 13)	(1,000,000)	-
Closing balance	**1,386,251**	**2,220,581**

19. Cash Flow Reconciliation

(a) Reconciliation of cash	2015 $	2014 $
Cash balance comprises:		
Cash on hand	288,978	232,961
Short term money market deposits	1,100,667	-
	1,389,645	**232,961**

(b) Reconciliation of cash flows from operating activities to profit for the year	2015 $	2014 $'000
Profit for the year	165,670	299,735
Changes in net market value of investments	76,996	(6,986)
Changes in assets and liabilities		
Decrease in receivables	42,775	105,216
Decrease/(increase) in reinsurance and other recoveries receivable	1,046	(14,025)
Decrease in outstanding claims	(207,226)	(258,016)
Increase in trade creditors	77,423	(60,783)
Cash flows from operating activities	**156,684**	**65,141**

20. Capital management

The Branch is not subject to any minimum capital requirements, and accordingly does not have its own capital management plan.

Capital is managed by the Company at a corporate level in accordance with requirements of its prudential regulator and shareholders. The Reserve Bank of New Zealand, under section 19 of the Insurance (Prudential Supervision) Act 2010, issued a licence to carry on insurance business in New Zealand on 14 May 2013. The conditions of the licence were modified on 11 December 2015. Under the Branch's licence, the Branch has been exempted from compliance with the Solvency Standard on condition that the branch reports the Company's solvency position calculated in accordance with APRA Prudential requirements.

The Branch aims to be self-sufficient in terms of cash flow. Surplus cash flows are transferred to the Company in Australia, and conversely cash flow deficits, if any, are supported by the Company. During the year the branch returned $1,000,000 (2014:$nil) to the Company.

The Gordian RunOff Limited complies with APRA Prudential Standard GPS110 *Capital Adequacy* and the requirements set out in its insurance license. The Prescribed Capital Amount as a ratio of the Company's capital base is shown in the table below.

20. Capital management (continued)

Tier 1 Capital	2015 A$'000	2014 A$'000
Paid-up ordinary shares	1,463,100	1,463,100
Accumulated losses	(1,004,991)	(1,011,941)
Current year earnings	14,359	6,950
Excess technical provisions (net of tax)	1,548	1,548
Deductions	(375,449)	(375,449)
Total Capital Base	98,567	84,208
Prescribed Capital Amount	22,381	27,142
Prescribed Capital Amount Coverage	4.40	3.10

The following disclosures have been prepared for Gordian RunOff Limited ("the Company"), calculated in accordance with APRA Prudential requirements and disclosed as required under the Branch's Insurance (Prudential Supervision) Act 2010 Section 59 Exemption certificate.

Solvency Disclosure	2015 NZ$'000	2014 NZ$'000
Actual solvency capital	105,907	88,290
Minimum solvency capital	24,048	28,458
Solvency Margin	81,860	59,833
Solvency Ratio	4.40	3.10

21. Events occurring after the reporting date.

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect:

(i). the Branch's operations in future financial years; or
(ii). the results of those operations in future financial years; or
(iii). the Branch's state of affairs in future financial years.

Independent auditor's report

To the shareholder of Gordian RunOff Limited - the New Zealand Branch

We have audited the accompanying financial statements of Gordian RunOff Limited - the New Zealand Branch ("the branch") on pages 1 to 32. The financial statements comprise the statement of financial position as at 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the branch's shareholder those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the branch's shareholder as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the financial statements

The directors are responsible on behalf of the branch for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

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

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, the branch.

KPMG

Opinion

In our opinion, the financial statements on pages 1 to 32 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Gordian RunOff Limited – the New Zealand Branch as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Reissuance of audit report

Without modification to the opinion expressed above, we draw attention to the following matter. As indicated in note 1 of the financial statements, the financial statements for the year ended 31 December 2015, were signed and approved by the directors on 22 April 2016. They have been reissued to be prepared in accordance with the *Financial Markets Conduct Act 2013 and Financial Reporting Act 2013*. This audit report supersedes our previous independent audit report to the shareholder of Gordian RunOff Limited – the New Zealand Branch dated 22 April 2016 on the financial statements for the year ended 31 December 2015.

KPMG

10 June 2016
Sydney