

Meridian Energy Captive Insurance Limited

Financial Statements

For the year ended 30 June 2016

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Meridian Energy Captive Insurance Limited

Companies Act 1993 Disclosures

For the year ended 30 June 2016

The Directors of Meridian Energy Captive Insurance Limited (the 'Company' or 'MECIL') present the 2016 annual report to our shareholder. The report includes all information required to be disclosed under the Companies Act 1993. In addition to our statutory obligation we have included additional information to assist you in understanding the activities of the Company.

Date of Incorporation

Meridian Energy Captive Insurance Limited was incorporated on 16 March 2005 under Certificate #1612020.

Principal Activity

The Company is a captive insurance company providing insurance to Meridian Energy Limited and its subsidiaries. All of the Company's liability is reinsured with reputable reinsurance companies.

Registered Office

33 Customhouse Quay
Queens Wharf
Wellington 6011
New Zealand

Corporate Governance

Interests Register

The Company is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register is available for inspection at its registered office.

Details of all matters that have been entered in the interests register by individual directors are outlined in the directors' profiles. Where a director has declared an interest in a particular entity, as a shareholder and/or director, the declaration serves as a notice that the director may benefit from any transactions between Meridian Energy Limited (the Parent), the Company and the identified entities.

Information Used by Directors

No member of the Board of the Company issued a notice requesting to use information received in their capacity as Directors which would not otherwise have been available to them.

Indemnification and Insurance of Officers and Directors

The Parent indemnifies all directors named in this report, and current executive officers of the Company against all liabilities (other than to the Parent or member of the Company) which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Parent has indemnity insurance for each of its subsidiaries. The total cost of this insurance during the financial year is borne by the Parent. In addition, the Company has indemnified all current directors under a deed of indemnity.

Meridian Energy Captive Insurance Limited

Companies Act 1993 Disclosures

For the year ended 30 June 2016

Board of Directors

Directors' Profiles

During the period under review the following acted as Directors:

Paul Chambers (appointed 25/12/09)	Chief Financial Officer, Meridian Energy Limited Director of various Meridian Group subsidiaries
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Mark Binns (appointed 10/05/12)	Chief Executive Officer, Meridian Energy Limited Director of various Meridian Group subsidiaries
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Jason Stein (appointed 25/12/09)	General Counsel, Meridian Energy Limited Alternate director of various Meridian Group subsidiaries (Alternate for Mark Binns)
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The Directors received no Director Fees from the Company during the year (2015:Nil)

Auditor

Mike Hoshek of Deloitte was appointed by the Auditor-General as the auditor of the Company. There have been no additional services provided. The remuneration for services provided by Deloitte for the current financial year is reported in the financial statements.

Shareholder

All ordinary shares of the Company are owned by the Parent, Meridian Energy Limited.

Dividend

The Directors recommend that no dividend be paid (2015: Nil).

Executive Remuneration

The Company did not pay remuneration including benefits, in excess of \$100,000 to any employee during the year.

Meridian Energy Captive Insurance Limited

Directors Responsibility Statement

For the year ended 30 June 2016

The Directors are responsible for ensuring that the financial statements fairly present the financial position of the Company as at 30 June 2016 and its financial performance for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors confirm that proper accounting records have been kept which enable the determination of the financial position of the Company as at 30 June 2016 and its financial performance for the year ended on that date to ensure compliance of the financial statements with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

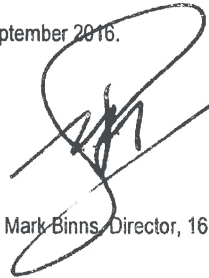
The Directors have pleasure in presenting the financial statements (including notes), set out on pages 5 to 16, of Meridian Energy Captive Insurance Limited for the year ended 30 June 2016.

The annual financial statements were authorised for issue by the Board on 16 September 2016.

For, and on behalf of, the Board.



Paul Chambers, Director, 16 September 2016



Mark Binns, Director, 16 September 2016

Meridian Energy Captive Insurance Limited

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Operating revenue	A1	4,445	4,760
Operating expenses	A2	(4,290)	(4,553)
Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF)		155	207
Operating profit		155	207
Interest income	A1	146	240
Net profit before tax		301	447
Income tax expense	A4	(47)	(125)
Net profit after tax attributed to the shareholders of the parent company		254	322
Total comprehensive income attributed to the shareholders of the parent company		254	322

Meridian Energy Captive Insurance Limited

Balance Sheet

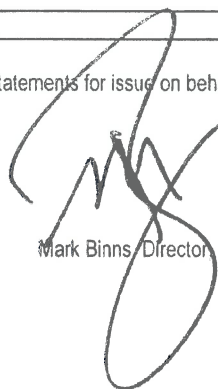
As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	B2	8,435	9,374
Deferred re-insurance premium		2,688	3,294
Interest receivable		2	8
Provision for claims receivable	B3	405	-
Total current assets		11,530	12,676
Non-current assets			
Total non-current assets		-	-
Total assets		11,530	12,676
Current liabilities			
Provision for claims payable	B3	405	-
Provision for income tax payable	D1	83	217
Re-insurance premiums payable	B3	3,477	4,254
Sundry payables		31	285
Unearned premium		2,659	3,294
Unearned ceding commission		175	180
Total current liabilities		6,830	8,230
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		6,830	8,230
Net assets		4,700	4,446
Shareholders equity			
Share capital	B1	2,500	2,500
Retained earnings		2,200	1,946
Total shareholders' equity		4,700	4,446

The directors of Meridian Energy Captive Insurance Limited authorise these financial statements for issue on behalf of the Board.



Paul Chambers, Director, 16 September 2016



Mark Binns, Director, 16 September 2016

Meridian Energy Captive Insurance Limited

Statement of Changes in Equity

For the year ended 30 June 2016

		\$'000	
	Note	Share capital	Retained earnings
Balance at 1 July 2014		2,500	1,624
Net profit for the 2015 financial year		-	322
Total comprehensive income for the year, net of tax		-	322
Balance at 30 June 2015 and 1 July 2015		2,500	1,946
Net profit for the 2016 financial year		-	254
Total comprehensive income for the year, net of tax		-	254
Balance at 30 June 2016		2,500	2,200

Cash Flow

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Operating activities			
Receipts from customers		3,382	4,249
Re-insurance claims received		-	5,852
Interest received		149	244
		3,531	10,345
Payments to suppliers		(4,289)	(4,720)
Income tax paid		(181)	(126)
Claims paid		-	(5,852)
		(4,470)	(10,698)
Operating cash flows	B2	(939)	(353)
Investment activities			
Maturity of Public Trust Bond		-	500
		-	500
Intercompany loan repaid		-	(50)
		-	(50)
Investing cash flows		-	450
Net (decrease)/increase in cash and cash equivalents		(939)	97
Cash and cash equivalents at beginning of year		9,374	9,277
Cash and cash equivalents at end of year	B2	8,435	9,374

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: About this report

For the year ended 30 June 2016

In this section

The notes to the financial statements includes information which is considered relevant and material to assist the reader in understanding the financial performance and position of MECIL. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of MECIL;
- it helps to explain changes in MECIL's business; or
- it relates to an aspect of MECIL's operations that is important to future performance.

Meridian Energy Captive Insurance Limited (MECIL and the Company) is a for profit entity domiciled in New Zealand, registered under the Companies Act 1993. The registered office of the Company is 33 Customhouse Quay, Queens Wharf, Wellington, 6011, New Zealand. The shares in the Company are owned by Meridian Energy Limited, a Mixed Ownership Company majority owned by Her Majesty the Queen in Right of New Zealand. Consequently, the Company is bound by the requirements of the Public Finance Act 1989.

The Company's core business is that of an insurance company providing insurance to Meridian Energy Limited and its subsidiaries.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and are prepared in accordance with the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The reporting period for these financial statements is the year ended 30 June 2016.

The financial statements were authorised for issue by the directors on 16 September 2016.

Basis of preparation

The financial statements have been prepared on the basis of historical cost with the exception of certain items identified in the following accounting policies.

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand dollars.

The same accounting policies, presentation and methods of computation have been applied consistently to all periods presented in these financial statements.

Key judgements and estimates

In the process of applying the Company's accounting policies and the application of accounting standards, Meridian Energy Captive Insurance Limited has made a number of judgements and estimates. The estimates and underlying assumptions are based on historic experience and various other factors that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

Judgements and estimates which are considered material to understanding the performance of Meridian Energy Captive Insurance Limited are found in the following notes:

Note B3: Re-insurance assets and re-insurance liabilities

Page 11

Other accounting policies

Other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated at the exchange rate prevailing at reporting date.

Meridian Energy Captive Insurance Limited
Notes to the Financial Statements: A) Financial performance
For the year ended 30 June 2016

A1 Income

	2016	2015
	\$'000	\$'000
Operating revenue		
Revenue	4,237	4,509
Other revenue - commissions	208	251
	4,445	4,760

Revenue Recognition

The primary revenue for this entity is derived from providing insurance services. Revenue is earned in a manner consistent with the period of the insurance covered.

	2016	2015
	\$'000	\$'000
Interest income		
Interest income on Financial Assets:		
Call account	146	210
Bond	-	30
	146	240

A2 Expenses

	2016	2015
	\$'000	\$'000
Operating expenses		
Audit fees	12	10
Bond amortisation	-	15
Exchange (gain)/loss	10	(1)
Insurance claim payout	405	-
Management fees	5	5
Professional fees	21	15
Re-insurance premium expense	3,832	4,509
Solvency Opinion fees	5	-
	4,290	\$,553

Audit fees and solvency opinion fees are paid to Deloitte. Audit fees are for the audit of the financial statements, and the solvency opinion fee is for the review of the solvency return.

A3 Underwriting Account

	2016	2015
	\$'000	\$'000
Premium income		
Insurance premiums received	3,197	4,028
Claims recovery	405	-
Movement in unearned premiums	635	481
Insurance premium income	4,237	4,509
Re-insurance expenses		
Insurance premiums expenses	3,197	4,028
Claims expense	405	-
Movement in unearned premiums	635	481
Re-insurance premium expense	4,237	4,509
Underwriting result		
Commissions earned	208	251
Total underwriting surplus	208	251

Meridian Energy Captive Insurance Limited
Notes to the Financial Statements: A) Financial performance
For the year ended 30 June 2016

A4 Taxation

	2016	2015
	\$'000	\$'000
Income tax expense		
Current income tax charge	84	125
Adjustments to tax of prior years	(37)	-
Total current tax expense	47	125
Total income tax	47	125
<i>Reconciliation to profit before tax</i>		
Profit before tax	301	447
Income tax at applicable rates	84	125
Income tax over provided in prior year	(37)	-
Income tax expense	47	125

Income tax expense

Income tax expense represents the sum of the tax currently payable. It includes both the current year liability and the income tax effects of temporary differences after allowing for non-assessable income and non-deductible expenses. The Company does not have any temporary differences therefore there is no deferred tax that has been recognised.

Notes to the Financial Statements: B) Managing funding

B1 Share capital

	2016		2015	
	Shares	\$'000	Shares	\$'000
Share capital				
Shares issued	2,000,100	2,500	2,000,100	2,500
Share capital	2,000,100	2,500	2,000,100	2,500

Share capital

The share capital is represented by 2,000,100 ordinary shares (2015: 2,000,100). Two million shares are issued at \$1 per share and one hundred shares are issued at \$5,000 per share. These shares are held by Meridian Energy Limited. All shares are fully paid and have equal voting rights. All shares participate equally in any dividend distribution or any surplus on the winding up of the Company.

B2 Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Cash and cash equivalents		
Current account	3,752	5,453
Call Account	-	306
Call Deposit	4,683	3,615
Cash and cash equivalents	8,435	9,374

The call deposits are held with Bank of New Zealand Limited and ANZ Bank Limited and attract interest at 3.30% p.a. & 2.50% p.a. at 30 June 2016 (2015: 3.25%).

Cash and Cash Equivalents

Cash and cash equivalents used in the Cash Flow comprise cash on hand and demand deposits and these are held at fair value.

	2016	2015
	\$'000	\$'000
Reconciliation of NPAT to cash flows from operating activities		
Net profit after tax	254	322
<i>Adjustments for operating activities non-cash items:</i>		
Claims receivable	405	-
Claims payable	(405)	-
Bond amortisation	-	14
	-	14
<i>Changes in working capital items:</i>		
Decrease in deferred re-insurance premium	606	481
Decrease in interest receivable	6	4
Increase in claims receivable	-	5,852
Decrease in re-insurance premiums payable	(777)	(606)
Decrease in sundry payables	(254)	(93)
Increase in claims payable	-	(5,852)
Decrease in unearned premium	(635)	(481)
Decrease in unearned ceding commission	(5)	(29)
Decrease in tax payable	(134)	35
	(1,193)	(689)
Cash flow from operating activities	(939)	(353)

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: B) Managing funding

For the year ended 30 June 2016

B3 Re-insurance assets and insurance liabilities

Reconciliation of movements in re-insurance assets and insurance liabilities	2016 \$'000	2015 \$'000
<i>Provision for claims receivable:</i>		
Opening balance 1 July	-	5,853
Claims provision recognised	405	-
Claims settled	-	(5,853)
Closing balance 30 June	405	-
<i>Re-insurance premiums payable:</i>		
Opening balance 1 July	4,254	4,861
Premiums paid to re-insurers	(4,254)	(4,861)
Premiums invoiced by re-insurers	3,477	4,254
Closing balance 30 June	3,477	4,254
<i>Provision claims payable:</i>		
Opening balance 1 July	-	5,853
Claims payable recognised	(405)	-
Premiums invoiced by re-insurers	-	(5,853)
Closing balance 30 June	(405)	-

There was one outstanding claim at year end. This claim has been recognised in the provisions for claims receivable and payable.

Insurance claims and outstanding claims liability

Outstanding claims liabilities are shown in the statement of financial position as provision for claims payable. These are recognised when loss events have occurred and are based on the estimated ultimate costs of all claims incurred but not settled at balance date. An estimate is made of the present value of claims reported but not paid. Claims are normally settled within one year, therefore the effect of discounting for the time value of money is not material.

Changes in expected claims that have occurred but which have not been settled are reflected by adjusting the liability. The liability is derecognised when the claim is discharged or withdrawn. Any insurance claims are made with re-insurance companies and proceeds of these claims are passed directly through to the claimant, i.e. Meridian Energy Limited and its subsidiaries, and are reflected in the profit and loss as re-insurance revenue and claims expense. Where insurance claim proceeds have been received, but not yet passed on to the claimant, these will be included in the balance sheet under provision for claims receivable/bayable.

Re-insurance recoveries

Outstanding re-insurance recoveries assets are shown in the balance sheet as a provision for claims receivable. These are recognised when loss events have occurred and are based on the estimated ultimate proceeds of all claims not settled at balance date. An estimate is made of the present value of claims reported but not received. Claims are normally settled within one year, therefore the effect of discounting for the time value of money is not material.

Changes in expected claims receivable that have occurred but which have not been settled are reflected by adjusting the assets. The asset is derecognised when the claim is discharged or withdrawn. Any insurance claims are made with re-insurance companies and proceeds of these claims are passed directly through to the claimant, i.e. Meridian Energy Limited and its subsidiaries, and are reflected in the profit and loss as re-insurance revenue and claims expense.



Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: C) Financial instruments used to manage risk

For the year ended 30 June 2016

In this section

This section explains the financial risks MECIL faces, how these risks affect MECIL's financial position and performance and how MECIL manages these risks. In this section of the notes there is information:

a) Outlining MECIL's approach to financial risk management

C1 Financial risk management

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company's capital includes share capital and retained earnings.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On 25 June 2013, the Reserve Bank of New Zealand issued Meridian Energy Captive Insurance Limited (MECIL) a licence to carry on insurance business in New Zealand, under section 19 of the Insurance (Prudential Supervision) Act 2010. General conditions were applied to the licence, including the requirement to maintain a positive solvency margin and the requirement that the actual solvency capital be at least \$1 million. As a result the parent contributed a further \$2 million of capital in June 2013. The licence was reissued by the Reserve Bank effective as at 30 June 2015 with no change to the solvency margin requirements.

Paul Rhodes, FNZSA, FIA of PricewaterhouseCoopers acts as the actuary for the Company and has reviewed the actuarial information including the unearned premium liability, outstanding claims liability and deferred reinsurance premium. There are no assumptions made in setting the claims liability, and the amount is based on the final claim discharge document and an offsetting reinsurance recovery asset is held, making the net provision zero. Because the net liability is zero, there is no need for a risk margin, discounting or claims handling costs. In the opinion of the actuary, the actuarial information contained in the financial statements has been appropriately included and used in the preparation of the financial statements. The Company has been in compliance with its solvency requirements throughout the period. The latest solvency return, completed as at 30 June 2016, reported the following

	2016	2015
	\$'000	\$'000
Actual solvency capital	4,700	4,446
Minimum solvency capital	1,000	1,000
Solvency margin	3,700	3,446
Solvency ratio (percent)	470%	445%

Financial risk management

The Company's activities expose it to a variety of financial risks: liquidity risk, interest rate risk, foreign exchange risk and credit risk.

Risk management for any currency risk is carried out by Meridian Energy Limited's Treasury department under policies approved by its Board.

Management of key financial risks

Liquidity risk

The Company maintains sufficient cash, is equity funded as required by the Parent, and trade and other payables are settled on a monthly basis as part of liquidity risk.

Market risk

- Interest rate risk

MECIL's primary interest rate risk is with the cash and cash equivalents, where the Company is subject to market movements in interest rates.

None of the other financial assets or liabilities arising from insurance or re-insurance contracts entered into by the company are directly exposed to interest rate risk. The average interest rate earned from cash and cash equivalents during the year was 2.75% (2015: 2.51%). The impact of a 50 basis point increase / decrease in interest rates on interest revenue would be +\$0.023m / -\$0.023m (2015: +\$0.048m / -\$0.048m).

- Foreign exchange risk

At 30 June 2016 the Company had NZ\$248,801 assets denominated in foreign currencies, all of which were in Australian Dollars ("AUD") and all of which were cash and cash equivalents (2015: NZ\$282,199). The impact of increases / decreases in the AUD is not considered to have a material effect on profit or loss of the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to an insurance transaction fails to meet its contractual obligations, and arises principally from the Company's premium receivables from related parties and from claims provision recoveries under re-insurance contracts.

Insurance contracts are only entered into with related parties. Refer to C3 for further discussion of insurance risk.

The Company believes that no impairment allowance is necessary in respect of premiums receivable as no amounts are past due and all receivables are due from related parties. The Company does not hold collateral or security in relation to credit risk.

The Company limits its exposure to re-insurance credit risk by entering into re-insurance contracts only with counterparties that have good financial strength. Re-insurers must be rated BBB (Standard & Poor's) or A- (AM Best) or greater and must have the equivalent of US\$25 million in unencumbered policyholders surplus. Given this high credit rating requirement, management does not expect the counterparties to fail to meet their obligations.

Credit risk also arises from the Company's holdings in cash and cash equivalents. Management mitigate this risk by only using banks and financial institutions that are independently rated with a minimum rating of 'A' (Standard & Poor's).

The carrying amount of insurance assets, cash and cash equivalents represents the maximum credit exposure.

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: C) Financial instruments used to manage risk

For the year ended 30 June 2016

C1 Financial risk management

Contractual maturities

The following tables are an analysis of the contractual undiscounted cash flows relating to financial liabilities at the end of the reporting period and a reconciliation from total undiscounted cash flows to carrying amounts. The amounts disclosed in the tables are the contractual undiscounted cash flows and approximate fair value.

	2016 \$'000				Total undiscounted cash flows	Carrying value
	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years		
Non-derivative financial liabilities						
Re-insurance premiums payable	3,477				3,477	3,477
Sundry payables	31				31	31
Total Financial Liabilities	3,508	-	-	-	3,508	3,508

	2015 \$'000				Total undiscounted cash flows	Carrying value
	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years		
Non-derivative financial liabilities						
Re-insurance premiums payable	4,254	-	-	-	4,254	4,254
Sundry payables	285	-	-	-	285	285
Total Financial Liabilities	4,539	-	-	-	4,539	4,539

	2016 \$'000				Total undiscounted cash flows	Carrying value
	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years		
Non-derivative financial assets						
Cash & cash equivalents	8,435				8,435	8,435
Interest receivable	2				2	2
Total Financial Assets	8,438	-	-	-	8,438	8,438

	2015 \$'000				Total undiscounted cash flows	Carrying value
	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years		
Non-derivative financial assets						
Cash & cash equivalents	9,374	-	-	-	9,374	9,374
Interest receivable	8	-	-	-	8	8
Total Financial Assets	9,382	-	-	-	9,382	9,382

Financial Liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the financial liabilities using the effective interest rate method.

The unearned premium represents the unearned portion of annual insurance premiums received.

Financial Assets

Financial assets (except cash) are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets are recognised initially at fair value, net of transaction costs. Financial assets classified as loans and receivables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the financial assets using the effective interest rate method.

Meridian Energy Captive Insurance Limited
Notes to the Financial Statements: C) Financial instruments used to manage risk
For the year ended 30 June 2016

C2 Fair value of financial instruments

The carrying values of financial assets and financial liabilities disclosed on the face of the balance sheet approximates their fair values.

	Loans and receivables	Categories of financial instruments Financial assets at FVTPL	Financial liabilities at amortised cost	Total
As at 30 June 2016				
Assets				
Cash and cash equivalents	-	8,435	-	8,435
Provision for claims receivable	405	-	-	405
Interest receivable	2	-	-	2
Total financial assets	407	8,435	-	8,842
Liabilities				
Re-insurance premiums payable	-	-	3,477	3,477
Provision for claims payable	405	-	-	405
Sundry Payables	-	-	31	31
Total financial liabilities	405	-	3,508	3,913
As at 30 June 2015				
Assets				
Cash and cash equivalents	-	9,374	-	9,374
Interest receivable	8	-	-	8
Total financial assets	8	9,374	-	9,382
Liabilities				
Re-insurance premiums payable	-	-	4,254	4,254
Sundry Payables	-	-	285	285
Total financial liabilities	-	-	4,539	4,539

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: D) Other

For the year ended 30 June 2016

C3 Insurance Contracts - Risk Management Policies and Procedures

The financial condition and operation of the company is affected by a number of key risks including insurance risk, market risk, compliance risk and operational risk. The Company's policies and procedures in respect of managing these risks are set out in this note.

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The company has an objective to control insurance risk thus minimising substantial unexpected losses that would expose the company to an adverse financial capital loss.

The Board of the company have developed, implemented and maintained 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. Annually, the Board reviews these strategies.

Key aspects of the processes established to mitigate risks include:

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Re-insurance is used to limit the Company's exposure to large single claims and catastrophes.
- The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claim payments.
- The mix of assets in which the Company invests is driven by the nature and term of insurance. The diversification of business over separate geographical segments seeks to reduce variability in loss experience.

Insurance and re-insurance contracts are entered into annually. At the time of entering into the contract, all terms and conditions are negotiable or, in the case of renewals, renegotiable.

Insurance Risk

As the Company is a captive insurer, the risk profile of the insured business is very specific to the nature of the insured business' property assets. There are only four policy holders, the portfolio is not very well diversified and has some geographic concentration.

Insurance exposures are managed by the Company through:

- Implementation of a re-insurance programme that limits the Company's insurance exposures. This re-insurance programme is reviewed annually by the Board.
- The ability to review insurance contracts in place and in particular adjust premium rates.
- The Company's business is structured so that it does not pay claims to insurance contract parties until claim proceeds are received from a reinsurer. If a re-insurer is unable to meet its obligations then the Company will fail to provide the agreed cover to insurance contract parties, being all related parties, causing those parties to suffer loss. Refer to note C1 for details of mitigation of re-insurer credit risk.

Reinsurance

Since the Company does not take or retain any risk, the insurance cover offered by the company is mirrored in the reinsurance market and there are no unexpected catastrophe risks or adverse claim numbers that would impact the company. As noted above, the Company runs a credit risk with respect to the insurers; this risk is mitigated by choosing re-insurers with good financial strength – refer to note C1 for details.

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: D) Other

For the year ended 30 June 2016

D1 Related parties

During the financial period, the Company provided insurance to its parent company, Meridian Energy Limited, and its subsidiaries.

The Company received payment for insurance premiums from Meridian Energy Limited of \$3.149 million (2015: \$3.983 million). The balance outstanding at 30 June 2016 was Nil (2015: Nil).

The Company received payment for insurance premiums from the following entities, all of which are subsidiaries of Meridian Energy Limited. There are no balances outstanding as at 30 June 2016 (2015: Nil).

- Mt Miller Wind Farm Pty Limited \$0.065 million (2015: \$0.053 million)
- Mt Mercer Wind Farm Pty Limited \$0.140 million (2015: \$0.169 million)
- Powershop Australia Pty Limited \$0.041 million (2015 \$0.043 million)

The provision for income tax payable of \$0.083 million is an inter-company balance with Meridian Energy Limited (2015: \$0.217 million).

The Company had one insurance claim payable to Meridian Energy Limited of \$0.405 million (2015: Nil), and one balance outstanding as payable of \$0.0405 million at balance date (2015: Nil). The Company did not pay any insurance claims to Meridian Energy Limited during the year (2015: \$5.853 million).

All related party balances are interest free and unsecured.

Key Management Personnel

The key management personnel are the directors of the Company and are employees of and remunerated by the Parent. Indemnity insurance is paid on their behalf by the Parent.

D2 Credit Rating

The Company does not have, has not sought and is not required to have a credit rating.

D3 Commitments

There are no capital commitments at 30 June 2016 (2015: Nil).

D4 Contingent assets and liabilities

There were no contingent assets or liabilities at 30 June 2016 (2015: Nil).

D5 Subsequent events

There have been no material events subsequent to 30 June 2016 that require disclosure in the financial statements (2015: Nil).

D6 Changes in financial reporting standards

In the current year, the Company has adopted all mandatory new and amended Standards. The application of these new and amended Standards has had no material impact on the amounts recognised or disclosed in the financial statements.

There have been a number of standards that have been issued but are not yet effective for application. The Company has not elected to early adopt any of these and anticipates that the adoption of these will not have a material impact on the financial statements.



TO THE SHAREHOLDER OF MERIDIAN ENERGY CAPTIVE INSURANCE LIMITED

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

The Auditor-General is the auditor of Meridian Energy Captive Insurance Limited (the company). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the company on her behalf.

Opinion

We have audited the financial statements of the company on pages 5 to 16, that comprise the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and cash flow for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the company comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, its financial position as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 16 September 2016. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholders' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and

- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand.

The Board of Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit and review of the company's solvency return, we have no relationship with or interests in the company.



Mike Hoshek
Deloitte
On behalf of the Auditor-General
Christchurch, New Zealand



The Board of Directors
Meridian Energy Captive Insurance Limited
Level 1, 33 Customhouse Quay
PO Box 10840
Wellington

16 September 2016

Appointed actuary's review of actuarial information for Meridian Energy Captive Insurance Limited

To the Directors of Meridian Energy Captive Insurance Limited,

This letter has been prepared for Meridian Energy Captive Insurance Limited ("MECIL") to meet the requirements of Section 78 of the Insurance (Prudential Supervision) Act 2010 ("the Act") in respect of Section 77 of the Act which requires that each Licensed insurer must ensure that the actuarial information contained in, or used in preparation of, the financial statements of the insurer is reviewed by the appointed actuary.

I have reviewed the following actuarial information included in the audited accounts for MECIL as at 30 June 2016:

- Unearned Premium liability
- Outstanding Claims liability
- Reinsurance Recovery asset
- Deferred Reinsurance Premium asset

I have been provided with all the information and explanations that I have required to complete my review.

I am the appointed actuary to MECIL and am a Partner of PricewaterhouseCoopers New Zealand. I am independent of MECIL.

In my opinion:

- the actuarial information contained in the financial statements has been appropriately included in those statements; and
- the actuarial information used in the preparation of the financial statements has been used appropriately; and
- MECIL is maintaining a solvency margin as required under the Solvency Standard for Non-Life Insurance Business issued by the Reserve Bank of New Zealand.





Reliances and limitations

This letter has been prepared for MECIL and is provided in accordance with the terms set out in our statement of work dated 13 April 2016.

No distribution of this letter to third parties, other than as required by law is permitted by us. There may be requests for our report to be copied to third parties. We will be happy to consider these requests, as and when they arise.

Our responsibilities and liabilities are limited to MECIL and exist only in the context of their use of our letter. No liability or responsibility will be accepted by us in relation to the use of our report for any other purpose. We will not accept any liability or responsibility to any third party recipients.

We have relied on information provided to us in the course of carrying out our work. We perform some data validation checks but we have not verified all of the information provided to us, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the total reliability, accuracy or completeness of the information provided to us and upon which we have relied. We have no reason to believe that the information provided to us is inaccurate or misleading.

This letter must be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other. If distributed, this letter must be distributed in its entirety.

This letter is not considered an actuarial report, as per Professional Standard 9.2 of the New Zealand Society of Actuaries.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Paul Rhodes'.

Paul Rhodes, FNZSA, FIA
Partner
PricewaterhouseCoopers