The New India Assurance Company Limited - New Zealand Branch

Annual report 2018

Report contents

Directors' declaration

In the opinion of the Directors of The New India Assurance Company Limited ('the Branch') the financial statements and notes, on pages 3 to 25:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Branch as at 31 March 2018 and the result of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Branch and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Branch, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of The New India Assurance Company Limited - New Zealand Branch for the year ended 31 March 2018.

The results of operations for the year and the state of affairs of the Branch, as reported in the financial statements, were as expected by the Directors.

The Directors had no interests in contracts with the Branch except as disclosed in note 24.

The Directors do not receive any remuneration from the Branch.

One employee received remuneration and other benefits of between $100,000 - $110,000.

One employee received remuneration and other benefits of between $160,000 - $170,000.

Donations amounting to $250 were made by the Branch during the year.

The Auditors remuneration from the Branch is as disclosed at Note 7.

Director
हेमंत जी. रोकडे
HEMANT G. ROKADE
निदेशक व महाप्रबंधक
Director & General Manager

Date: 17.07.2018

Director
सी. नारंबुनाथन
C. NARAMBUNATHAN
निदेशक, महा प्रबंधक एवं वित्तीय सलाहकार
Director, General Manager & Financial Advisor

Date: 17.07.2018

Directory

Incorporation number	1489374
Principal activities	General Insurance. There have been no changes in the main activities of the Branch during the year.
Registered office	Level 5 63 Albert Street Auckland 1030 New Zealand
Directors	S.K. Banerjee (appointed 18 October 2017) S.K. Chanana (appointed 18 October 2017) N. Chellappa (appointed 2 April 2018) N. Damodharan (appointed 14 August 2017) P.S. Gupta (appointed 18 October 2017) R.M. Pikkili (appointed 14 August 2017) L. Rajan (appointed 18 October 2017) H.G. Rokade K. Singh (appointed 18 October 2017) G. Srinivasan A. Kumar (appointed on 20 June 2017 and resigned 30 November 2017) M. Mustafa (resigned 18 October 2017) A. Tiwari (resigned 30 June 2017) T.L. Alamelu (resigned 31 May 2017)
Auditor	Staples Rodway Chartered Accountants

Statement of comprehensive income

For the year ended 31 March 2018

in New Zealand dollars

	Note	2018 $	2017 $
Gross earned premium revenue	6	9,785,373	8,430,663
Outwards reinsurance premium expense		(1,811,266)	(2,161,350)
Net premium revenue		**7,974,107**	**6,269,313**
Claims expense		(13,108,678)	(1,757,011)
Reinsurance and other recoveries revenue	6	5,572,115	983,620
Net claims incurred		**(7,536,563)**	**(773,391)**
Acquisition costs		(928,076)	(678,564)
Other expenses	7	(1,393,513)	(993,581)
Underwriting expense		**(2,321,589)**	**(1,672,145)**
Underwriting profit/(loss)		**(1,884,045)**	**3,823,777**
Investment income	8	2,186,887	2,384,532
Profit before income tax expense		**302,842**	**6,208,309**
Income tax benefit (expense)	9	579,910	(1,822,472)
Profit for the year		**882,752**	**4,385,837**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**882,752**	**4,385,837**

Statement of financial position

As at 31 March 2018
in New Zealand dollars

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents		921,109	775,197
Trade and other receivables	13	3,916,907	3,125,328
Deferred acquisition costs	14	447,594	401,029
Investments	12	14,946,337	16,719,118
Income tax receivable	9	1,629,124	-
Total current assets		**21,861,071**	**21,020,672**
Non-current assets			
Property, plant and equipment	10	17,439	23,379
Intangible assets	11	-	12
Investments	12	37,453,628	30,851,216
Total non-current assets		**37,471,067**	**30,874,607**
Total assets		**59,332,138**	**51,895,279**
Liabilities			
Current liabilities			
Trade and other payables	15	848,069	380,441
Outstanding claim provisions	17	11,175,300	3,074,273
Income tax payable	9	-	503,404
Unearned premium reserve	20	5,838,081	4,107,512
Total current liabilities		**17,861,450**	**8,065,630**
Non-current liabilities			
Deferred tax liability	9	97,836	62,541
Total non-current liabilities		97,836	62,541
Total liabilities		**17,959,286**	**8,128,171**
Equity			
Retained earnings		23,196,003	22,313,251
Total equity		**23,196,003**	**22,313,251**
Head office account	24	18,176,849	21,453,857
Total equity and head office account		**41,372,852**	**43,767,108**
Total liabilities and equity		**59,332,138**	**51,895,279**

Director
Date:
हेमंत जी. रोकडे
HEMANT G. ROKADE
निदेशक व महाप्रबंधक
Director & General Manager
17.07.2018

Director
Date:
सी. नारंबुनाथन
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Director, General Manager & Financial Advisor
17.07.2018

This statement is to be read in conjuction with the notes to the financial statements

Statement of changes in equity

For the year ended 31 March 2018
in New Zealand dollars

	Note	Retained earnings $	Total $
Balance at 1 April 2017		22,313,251	22,313,251
Total comprehensive income for the year			
Profit for the year		882,752	882,752
Other comprehensive income/(expense)		-	-
Total comprehensive income for the year		882,752	882,752
Balance at 31 March 2018		23,196,003	23,196,003
Balance at 1 April 2016		17,927,414	17,927,414
Total comprehensive income for the year			
Profit for the year		4,385,837	4,385,837
Other comprehensive income/(expense)		-	-
Total comprehensive income for the year		4,385,837	4,385,837
Balance at 31 March 2017		22,313,251	22,313,251

This statement is to be read in conjuction with the notes to the financial statements

Statement of cash flows

For the year ended 31 March 2018
in New Zealand dollars

	Note	2018 $	2017 $
Cash flows from operating activities			
Premiums received		10,438,974	7,851,187
Reinsurance and other recoveries received		5,724,679	823,153
Interest received		1,497,323	1,708,980
Claims paid		(5,007,651)	(2,042,257)
Outwards reinsurance premiums paid		(1,703,264)	(3,407,515)
Acquisition expenses paid		(4,251,649)	2,456,263
Other underwriting expenses paid		(890,596)	(890,716)
Income tax paid		(831,523)	(2,092,213)
Net cash from operating activities	22	4,976,293	4,406,882
Cash flows from investing activities			
Investment in term deposits at banking institutes		(4,829,631)	(4,842,182)
Purchase of property, plant and equipment		(750)	(8,590)
Net cash used in investing activities		(4,830,381)	(4,850,772)
Net increase/(decrease)		145,912	(443,890)
Opening cash and cash equivalents 1 April		775,197	1,219,087
Closing cash and cash equivalents 31 March		921,109	775,197

Notes to the financial statements

1 Reporting entity

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

The Branch is a for-profit reporting entity.

The Branch provides general Insurance services directly to other entities.

The financial statements presented are for The New India Assurance Company Limited as at and for the year ended 31 March 2018. The financial statements were authorised for issue by the Directors on date included on page 1.

2 Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements are presented in New Zealand dollars ($). This is the Branch's functional and presentation currency. All amounts are rounded to the nearest dollar.

Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified by certain exceptions as described in the accounting policies below.

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. It is possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed where applicable in the relevant notes to the financial statements.

All accounting policies have been applied consistently to all periods presented in the financial statements.

Certain comparatives have been updated to be consistent with the current year.

Use of estimates and judgements

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities at year end. Estimates and judgements 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 areas in which accounting estimates are applied are described below.

All accounting policies have been applied consistently to all periods presented in the financial statements.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

Key sources of estimation uncertainty

The key area of estimation uncertainty for the Branch is in its estimation of outstanding claims and reinsurance recoveries.

The ultimate liability arising from claims made under insurance contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the end of the reporting period, including the cost of IBNR and IBNER to the Branch.

The Branch takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. 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 IBNR and IBNER 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. In calculating the estimated cost of unpaid claims the Branch uses a variety of estimation techniques, generally based upon statistical analyses 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:

- Change in economic environment
- changes in the mix of business
- changes in claim management practice

Provisions are calculated gross of all recoveries.

The methods used to analyse past claims experience and to project future claims experience are largely determined by the available data and the nature and maturity of the portfolio.

The determination of an appropriate outstanding claims liability and the specific assumptions used are detailed in note 3.

Principles of General Insurance

An insurance contract is defined as a contract under which one party (the insurer) accepts significant risk from another party (the policy holder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The insurance activities of the Branch all arise from general insurance contracts.

Reinsurance recoveries

Reinsurance recoveries are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, reinsurance recoveries are measured at cost less impairment. A reinsurance asset is impaired if there is objective evidence as a result of an event that occurred after initial recognition of the asset that the amounts due may not be received and the amount can be reliably measured. An impairment is recognised in the profit and loss.

Reinsurance programme

Reinsurance is purchased to make the Branch's results less volatile by reducing the effect that individual large claims and catastrophic events leading to multiple claims have on results.

The experience based model has been adopted while purchasing catastrophic reinsurance cover.

The majority of reinsurance has been arranged on excess of loss treaty basis and facultative cover is used where certain risks are falling outside the limits provided under excess of loss treaty to ensure complete financial protection.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits with maturities of 3 months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short term commitments.

Cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as financial assets.

Assets Backing General Insurance Liabilities

The Branch maintains its investment portfolio to ensure that investments are part of the current assets available to meet its insurance liabilities as they become due and payable.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

Goods and service tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Equity Retention

It is the policy of the shareholders to ensure that equity retained provides an adequate level of solvency when measured against capital requirements to support the assets of the Branch. The Head Office account is subordinated to all liabilities of the Branch and will not be repaid unless there is an adequate surplus of assets over liabilities after repayment of the Head Office account.

New accounting standards and interpretations not yet adopted

The Branch has not adopted any new standards or interpretations early.

New or revised standards and interpretations that have been approved but are not yet effective have not been adopted by the Branch for the year ended 31 March 2018. The adoption of these standards and interpretations is not expected to have a material recognition or measurement impact on the Branch's financial statements.

The Branch will adopt the following new and revised standards when they become mandatory.

NZ IFRS 9 - Financial Instruments

NZ IFRS 9 was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The adoption of this standard is not expected to have a material impact on the measurement of the Branch's assets and liabilities.

NZ IFRS 15 - Revenue from contracts with customers

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This standard is effective for periods beginning on or after 1 January 2018. The adoption of this standard is not expected to have a material impact on the measurement of the Branch's assets and liabilities as the new standard does not apply to insurance contracts.

IFRS 16 Leases

The new standard eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Branch is currently assessing the impacts of the new standard. The effective date of the new standard is accounting periods beginning on or after 1 January 2019.

IFRS 17 Insurance Contracts

The new standard is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The effective date of the new standard is on or after 1 January 2021.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

New accounting standards and interpretations adopted

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Guidance on how to determine future taxable profit for the recognition test is also provided. The Branch intends to adopt these amendments in its financial statements for the annual period beginning on 1 April 2017.

Disclosure Initiative (Amendments to IAS 7)

Additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in foreign exchange rates and changes in fair values). The Branch intends to adopt these amendments in its financial statements for the annual period beginning on 1 April 2017. The Branch does not expect the amendments to have a material impact on the financial statements.

3 Actuarial assumptions and methods

The actuary who carried out the valuation of the IBNR reserve of the Branch is Simon Ferry from the actuarial team at Aon New Zealand.

Report Date: 29 June 2018
Qualification: Fellow of the New Zealand Society of Actuaries

The report relied on historical data and other qualitative and quantitative information provided by The New India Assurance Company Limited - New Zealand Branch. The actuary also reconciled the business data to the financial data in which the overall result is acceptable.

Unexpired risk liability

The unearned premium liability was found to be adequate as at 31 March 2018.

The probability of sufficiency (POS) adopted in performing the liability adequacy test (LAT) is set at the 75th percentile which is the same as that adopted in determining the outstanding claims liability (OCL).

The POS for OCL is set at a level that is appropriate to cover the Branch's claims obligations after having regard to the prevailing market environment and prudent industry practice.

Being a test of adequacy, the POS for LAT is set to highlight deficiencies in product pricing following an analysis of the Branch's profit margins for the last two financial years.

Assumptions

The following assumptions have been made in determining the outstanding claims liabilities:

	2018	2017
Inflation rate	1.77%	1.90%
Discount rate	2.25%	4.00%
Discounted mean term (years)	2	2
Claim handling expense ratio	4.30%	17.70%
Risk margin	15.00%	15.00%

Processes Used to Determine Assumptions

The valuation of outstanding claims liabilities included in the Appointed Actuary report are calculated using the Chain Ladder Method and the Payments Per Claim Incurred Method.

In the development of Claim Payment Patterns and projecting claim payment liabilities the following economic assumptions have been made:

Inflation Rate

Pre valuation date claim inflation has been taken as movements in CPI. Post valuation date claim inflation has been taken as 1.77% per annum. Most claims are of a short to medium term duration.

Notes to the financial statements (continued)

3 Actuarial assumptions and methods (continued)

Discount Rate

The discount rate used is 2.25% per annum. This is approximately the average gross yield on Government Bonds of short to medium term durations consistent with the duration of the liabilities.

Claims Handling Expenses

The Branch is responsible for the on-going management of all claims incurred on or before 31 March 2018. To reflect this expense, an allowance is included in the central estimate of the outstanding claims liability.

Risk Margin

A risk margin at a 75% level of sufficiency has been used to determine the outstanding claims liability at 31 March 2018. The risk margin reflects the predominantly short tail nature of the business.

Sensitivity Analysis

The Outstanding Claims Liability provision has been estimated by the Appointed Actuary taking into consideration overall past claims experience and case estimates information provided by the management of the Branch. A 10% increase in Claims Expense ratio, from 4.3% to 4.73%, will result in a 0.4% increase ($42,000) in Outstanding Claims Liability, decreasing the reported profit and equity by the same amount. Likewise a 10% increase in Risk Margin, from 15.0% to 16.5%, will result in a 1.2% increase ($133,300) in Outstanding Claims Liability , decreasing profit and equity by the same amount.
Refer notes 18 and 19 for further details of the development of claims and concentration of risk.

Solvency

As at 31 March 2018 The New India Assurance Company Limited had an audited Solvency Ratio (Total Available Solvency Margin/ Total Required Solvency Margin) of 2.58 (= Rs137.39bn /Rs53.23bn or $2.912bn/$1.128bn) in accordance with Section 64VA of the Insurance Act, 1938 and the Insurance Regulatory and Development Authority of India (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulation 2016.

4 Insurance Contracts Risk Management Policies and Procedures

The Branch writes general commerical insurance in New Zealand.

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

The above risk exposure is mitigated by diversification across the portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Branch purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is treaty reinsurance placements which is taken out to reduce the overall exposure of the Branch to certain classes of business. Non- proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Branch's net exposure to risk and catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contracts. Although the Branch has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit risk exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Branch has received an A- (Excellent) Credit Rating and an A- (Excellent) Financial Strength Rating from A.M Best Company, an approved agency by the Reserve Bank of New Zealand, dated 19 January 2018. The credit rating is an indication of the Branch's ability to pay current and future claims.

Notes to the financial statements (continued)

5 Insurance and Financial Risks

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Branch's exposure to credit risk:

The Branch has investments in bank fixed deposits mostly for 1-2 years to avoid long term risk. The banks are selected for fixed deposit investment on the basis of their credit ratings by approved Rating Agencies and having superior ratings to ensure safety and liquidity of capital. The investments are made in different banks in order to ensure diversification and spread risk and to reduce the exposure in single bank transactions.

The credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in the policy document, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The carrying amount of the financial instruments equals the maximum credit risk.

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Branch by classifying assets according to Branch's credit ratings of counterparties:

31 March 2018	**Rated**	**Unrated**
Financial assets	$	$
Term deposit with credit institutions	52,399,965	-
Trade receivables	-	3,160,572
Cash and cash equivalents	921,109	-
Accrued interest	89,253	-
Total	53,410,327	3,160,572

31 March 2017	**Rated**	**Unrated**
Financial assets	$	$
Term deposit with credit institutions	47,570,334	-
Trade receivables	-	2,123,424
Cash and cash equivalents	775,197	-
Accrued interest	85,489	-
Total	48,431,020	2,123,424

Cash and cash equivalents and term deposits are invested with New Zealand Banks i.e. ANZ Bank New Zealand Limited having a credit rating of AA- of S&P, AA- of Fitch and A1 of Moody's, Bank of India (New Zealand) Limited having a credit rating of BB+ of Standard and Poor and Bank of Baroda having a credit rating of BBB- of Fitch. Insurance receivables are not rated.

The concentration of risk relating to cash and cash equivalents and term deposits of the Branch is related to the amounts held by the three financial institutions ANZ, Bank of Baroda and Bank of India.

Deposits held in:	2018	2017
	%	%
Bank of India	52	76
ANZ	45	21
Bank of Baroda	3	3
Total	100	100

Age analysis of financial assets past due but not impaired

For assets to be classified as "past-due" but not impaired contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

As at 31 March 2018, there were $434,101 of financial assets past due but not impaired (2017: $36,895).

Notes to the financial statements (continued)

5 Insurance and Financial Risks (continued)

Liquidity Risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the board of directors who have built a liquidity risk management framework for the management of the Branch's short, medium and long term investment portfolio which can be liquidated at short notice.

The following procedures are in place to mitigate the exposure to liquidity risk:
The Branch manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily and monthly basis. The normal cash outflow is managed from monthly cash inflow premium and in the event of greater and significant outflow of cash, the liquidity may be managed through liquidating the bank fixed deposits and if the requirements exceed these limits, Head Office in India shall be approached to provide liquidity support.

All net cash outflows for liabilities in the financial statements will be within 12 months. The Branch maintains a portfolio of highly marketable assets that can easily be liquidated in the event of an unforeseen interruption of cash flow. The net cash inflow for premium debts will be within 12 months. Receivables include interest receivable.

2018	Less than 1 year	1-5 years	5+ years	Total
Financial Liabilities				
Outstanding claims	1,932,554	-	-	1,932,554
Non-interest bearing payables	848,067	-	-	848,067
	2,780,621	-	-	2,780,621

2017	Less than 1 year	1-5 years	5+ years	Total
Financial Liabilities				
Outstanding claims	1,271,238	-	-	1,271,238
Non-interest bearing payables	380,441	-	-	380,441
	1,651,679	-	-	1,651,679

Capital risk management

The Branch manages its capital structure to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance.

The capital structure of the Branch consists of equity comprising accumulated profits as disclosed in the Statement of Changes in Equity.

The directors review the capital structure on a regular basis, as part of the review the directors consider the cost of capital and the risks associated with each class of capital. The directors balance the overall capital structure through the issue of new debt or redemption of existing debt when required.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Branch cannot expect to eliminate all operational risks, but by initiating a rigourous control framework and by monitoring and responding to potential risks, the Branch is able to manage the risks. Controls include segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environmental, technology and the industry are monitored through the Branch's strategic planning and budgeting process.

Notes to the financial statements (continued)

5 Insurance and Financial Risks (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks are currency exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk. The Branch does not deal with any capital market risk instruments involving fluctuations in values and all investments are in short and medium term bank fixed deposits of 1 to 5 year term period basis with fixed interest rates.

The fair value of the financial assets is not significantly different to the carrying amount

Currency risk

Currency risk is the risk that the value of recognised assets and liabilities or the cash flows from possible future transactions that are denominated in a currency other than that of the functional currency will decrease due to changes in market exchange rates.

The Branch has no foreign currency exposure at balance date that is considered material.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates.

The Branch primarily faces interest rate risk due to the nature of its investments and liabilities. The Branch manages its exposure to this risk by holding the majority of such assets on short to medium term maturities.

The following table details the Branch's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets.

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2018					
Non-interest bearing					
Cash		921,109	-	-	921,109
Trade and other receivables		3,916,907	-	-	3,916,907
Fixed interest rate instruments					
Short term deposits	4.50%	14,946,337	-	-	14,946,337
Medium term deposits	4.33%	-	37,453,628	-	37,453,628
		19,784,353	37,453,628	-	57,237,981

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2017					
Non-interest bearing					
Cash		775,197	-	-	775,197
Trade and other receivables		3,125,328	-	-	3,125,328
Fixed interest rate instruments					
Short term deposits	5.27%	16,719,118	-	-	16,719,118
Medium term deposits	4.51%	-	30,851,216	-	30,851,216
		20,619,643	30,851,216	-	51,470,859

A change of 50 basis points movement in interest rates would increase or decrease net profit before tax by $262,000 (2017: $237,852).

Notes to the financial statements (continued)

5 Insurance and Financial Risks (continued)

Price risk

Price risk is the risk that the fair value of equities or financial instruments could decrease due to fluctuations in market prices.

The Branch has no such price risk exposure at balance date (2017: nil).

6 Revenue

	2018	2017
	$	$
Gross written premium	11,515,942	8,045,430
Movement in unearned premium	(1,730,569)	385,233
Gross earned premium reserve	9,785,373	8,430,663
Reinsured and other recoveries revenue	5,572,115	983,620
	15,357,488	9,414,283

Revenue policy

Premium revenue
Direct and inwards insurance premium revenues represent amounts charged in relation to accepting risk from policy holders or other insurers and do not include amounts collected on behalf of third parties.

The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue from the date of attachment of risk. Premium revenue is recognised evenly over the period of the policy or the period of indemnity on the basis of the 24ths method which is considered to closely approximate the pattern of incidence of risk.

The unearned portion of premium is recognised within unearned premium reserve in the Statement of Financial Position.

Reinsurance commission income
Reinsurance commission income is earned on business ceded to reinsurers. Commission income is recognised as the service is performed.

Outward Reinsurance Expense
Premium ceded to reinsurers is recognised as an expense from the date of attainment of risk over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

7 Expenses

	2018	2017
The following are included in Other expenses:	$	$
Depreciation	6,690	10,052
Amortisation of intangible assets	12	18
Rental operating lease expenses	84,127	79,178
Salaries and wages	543,290	492,944
Doubtful debts	39,820	11,805
Auditor's remuneration comprises:		
Audit of financial statements - UHY Haines Norton Chartered Accountants	-	27,937
- Staples Rodway Chartered Accountants	34,500	-
Other assurance services - UHY Haines Norton Chartered Accountants	180,077	30,000
- Staples Rodway Chartered Accountants	7,500	-
Total auditor's remuneration	222,077	57,937

Notes to the financial statements (continued)

8 Investment Income

	2018 $	2017 $
Interest income	2,186,887	2,384,532
Total investment income	2,186,887	2,384,532

Finance income and expenses policy

Finance income comprises interest income. Interest income is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the liability.

9 Income tax

	2018 $	2017 $
Tax recognised in profit or loss		
Current tax expense		
Current period	35,302	1,806,603
Adjustment for prior periods	(650,507)	16,436
Total current tax expense	(615,205)	1,823,039
Deferred tax expense		
Origination and reversal of temporary differences	35,295	(567)
Total deferred tax expense/(benefit)	35,295	(567)
Total income tax (benefit)/expense	(579,910)	1,822,472
Reconciliation of effective tax rate		
Profit before tax	302,842	6,208,309
Income tax using the Branch's domestic tax rate of 28%	84,798	1,738,327
Permanent differences	(14,201)	(12,026)
Adjustment for prior periods	(650,507)	96,171
Income tax (benefit)/expense	(579,910)	1,822,472
Deferred tax		
Provisions and accruals	10,278	6,663
Receivables	17,212	43,084
Deferred acquisition cost	(125,326)	(112,288)
Net deferred tax liability	(97,836)	(62,541)

The current tax receivable of $1,629,124 (2017: tax payable of $503,404) represents the amount of income taxes receivable (2017: payable) in respect of current and prior periods.

Notes to the financial statements (continued)

9 Income tax (continued)

Income tax policy

Current tax

Current Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date in the countries where the Branch operates and generates taxable income. Current Income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

10 Property, plant and equipment

	2018				
	Furniture and fittings	Motor vehicle	Office equipment	Other assets	Total
	$	$	$	$	$
Cost					
Balance at 1 April 2017	46,766	46,923	43,923	1,153	138,765
Additions	-	-	750	-	750
Balance at 31 March 2018	46,766	46,923	44,673	1,153	139,515
Depreciation and impairment losses					
Balance at 1 April 2017	(36,157)	(36,737)	(41,467)	(1,025)	(115,386)
Depreciation for the year	(2,259)	(2,648)	(1,753)	(30)	(6,690)
Disposals	-	-	-	-	-
Balance at 31 March 2018	(38,416)	(39,385)	(43,220)	(1,055)	(122,076)
Carrying amount					
At 31 March 2018	8,350	7,538	1,453	98	17,439

Notes to the financial statements (continued)

10 Property, plant and equipment (continued)

	Furniture and fittings	Motor vehicle	2017 Office equipment	Other assets	Total
	$	$	$	$	$
Cost					
Balance at 1 April 2016	42,201	46,923	39,897	1,153	130,174
Additions	4,565	-	4,026	-	8,591
Balance at 31 March 2017	46,766	46,923	43,923	1,153	138,765
Depreciation and impairment losses					
Balance at 1 April 2016	(33,042)	(33,158)	(38,147)	(986)	(105,333)
Depreciation for the year	(3,115)	(3,579)	(3,320)	(38)	(10,052)
Disposals	-	-	-	(1)	(1)
Balance at 31 March 2017	(36,157)	(36,737)	(41,467)	(1,025)	(115,386)
Carrying amount					
At 31 March 2017	10,609	10,186	2,456	128	23,379

	Furniture and fittings	Motor vehicle	Office equipment	Other assets	Total
Carrying Amount	$	$	$	$	$
At 31 March 2017	10,609	10,186	2,456	128	23,379
Additions	-	-	750	-	750
Disposals	-	-	-	-	-
Depreciation	2,259	2,648	1,753	30	6,690
Depreciation recovered	-	-	-	-	-
At 31 March 2018	8,350	7,538	1,453	98	17,439

Property, plant and equipment policy

Recognition and measurement

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is charged to the Statement of Comprehensive Income. The following rates have been used:

Furniture and fittings	12% to 40% diminishing value
Motor vehicle	26% diminishing value
Office equipment	36% to 60% diminishing value
Other assets	19% to 25% diminishing value

The residual value of assets is reassessed annually.

Impairment

The carrying amounts of the Branch's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

Notes to the financial statements (continued)

11 Intangible assets

	2018 Software $	2018 Total $
Cost		
Balance at 1 April 2017	112,932	112,932
Additions	-	-
Balance at 31 March 2018	112,932	112,932
Amortisation and impairment losses		
Balance at 1 April 2017	(112,920)	(112,920)
Amortisation for the year	(12)	(12)
Balance at 31 March 2018	(112,932)	(112,932)
Carrying amount		
Balance at 31 March 2018	-	-

	2017 Software $	2017 Total $
Cost		
Balance at 1 April 2016	112,932	112,932
Additions	-	-
Balance at 31 March 2017	112,932	112,932
Amortisation and impairment losses		
Balance at 1 April 2016	(112,902)	(112,902)
Amortisation for the year	(18)	(18)
Balance at 31 March 2017	(112,920)	(112,920)
Carrying amount		
Balance at 31 March 2017	12	12

Intangible assets policy

Software is a finite life intangible asset and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a diminishing value basis so as to write off the cost less the estimated residual value of these assets over their estimated useful lives. The amortisation expense is included in the Statement of Comprehensive Income. The diminishing rate of 60% has been used in preparing the financial statements.

Notes to the financial statements (continued)

12 Investments

	2018 $	2017 $
Current		
Term deposits	14,946,337	16,719,118
	14,946,337	16,719,118
Non-current		
Term deposits	37,453,628	30,851,216
	37,453,628	30,851,216
Total investments	52,399,965	47,570,334

Investments policy

Term deposits are held to maturity measured at amortised cost at balance date.

13 Trade and other receivables

	2018 $	2017 $
Premium due from policyholders and intermediaries	3,222,043	2,277,297
Provision for doubtful debts - trade receivables	(61,471)	(153,873)
Total trade receivables	3,160,572	2,123,424
Other receivables	264,058	405,389
Accrued Interest	89,253	85,489
Prepayments	403,024	511,026
Total other receivables	756,335	1,001,904
Total receivables	3,916,907	3,125,328

Trade and other receivables policy

Trade receivables are stated at their cost less allowance for impairment and credit notes due. An allowance is established when the Branch will not be able to collect all amounts due to the original term of the receivable. Any decrease or increase of the allowance is recognised in the Statement of Comprehensive Income.

A provision for impairment of trade receivables is established 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment. In the current year the Branch has recognised an increase in doubtful debts of $39,820 (2017: $11,805).

Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets, and measured at at amortised cost using the effective interest method less impairment.

Notes to the financial statements (continued)

14 Deferred acquisition costs

	2018	2017
	$	$
Opening balance at 1 April	401,029	396,556
Current year movement	46,565	4,473
Total deferred acquisition cost	447,594	401,029

Deferred acquisition costs policy

Acquisition costs incurred in writing and renewing of insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will be recoverable out of future premiums. Deferred acquisition costs are amortised in accordance with expected pattern of incidence of risk under the insurance to which they relate.

Deferred acquisition costs are measured at the lower of cost and recoverable amount. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less that the carrying value, an impairment loss is recognised in the profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognised when the related contracts are either settled or disposed of.

15 Trade and other payables

	2018	2017
	$	$
Trade payables	315,761	118,623
Non trade payables and accrued expenses	495,601	236,343
Liability for annual/sick leave	36,707	25,475
	848,069	380,441

Trade and other payables policy

A provision is recognised when the Branch has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates, and, where appropriate, the risks specific to the liability.

The average credit limit for payables owing to the Branch's reinsurer and brokers is 90 days. The Branch has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.
Trade and other payables are recognised when the Branch becomes obliged to make future payments resulting from the purchase of goods and services.

Trade and other payables are classified as 'other financial liabilities'. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Notes to the financial statements (continued)

17 Outstanding claims provision

	2018	2017
	$	$
Central estimate of outstanding claims provisions (including risk margin)	9,701,970	1,338,612
Claim handling expenses	366,600	331,433
Claims incurred but not reported	948,800	539,968
Claims but not enough reported	157,930	864,260
Total outstanding claims provision	11,175,300	3,074,273

The risk margin used to determine claims incurred but not reported included in total outstanding claims is 15.0% (2017: 15.0%) of the central estimate.

Outstanding claims provision policy

The Branch's claims liability is measured as the present value of expected future payments relating to claims incurred at the reporting date. The expected future payments include those estimates in relation to the claims incurred but not enough reported (IBNER) and claims incurred but not reported (IBNR) based on past experience.

Claims incurred all relate to providing services, including the bearing of risk, and are accordingly treated as expenses in the Statement of Comprehensive Income. Claims expenses represent total claim payments made during the year adjusted for the movement in the outstanding claims liability.

The claims liability is measured based on the valuations performed by the Appointed Actuary whose key assumptions are outlined in note 3.

18 Development of claims

The following table shows the development of net outstanding claims relative to the current estimate of ultimate claim costs for the five most recent years.

	2014	2015	2016	2017	2018	Total
	$	$	$	$	$	$
Ultimate claims cost estimate						
At the end of incident year	4,685,810	2,755,572	2,803,264	2,258,942	4,795,490	
One year later	3,895,868	2,223,118	2,288,969	2,424,121	-	
Two years later	3,612,675	1,592,148	1,476,497	-	-	
Three years later	3,558,263	3,560,935	-	-	-	
Four years later	3,122,887	-	-	-	-	
Five years later	-	-	-	-	-	
Earlier						
Current estimate of ultimate cost	3,122,887	3,560,935	1,476,497	2,424,121	4,795,490	
Cumulative payments	(3,017,042)	(3,541,032)	(1,376,381)	(2,021,647)	(1,818,459)	
Undiscounted central estimate	105,845	19,903	100,116	402,474	2,977,031	3,605,369
Discount to present value	545	103	516	2,074	15,340	18,578
Discounted central estimate	105,300	19,800	99,600	400,400	2,961,691	3,586,791
Claims management expenses						366,600
IBNR						948,800
Risk margin						1,333,920
Net outstanding claims liability						**6,236,111**
Reinsurance and third party recoveries on outstanding claim liability						4,975,371
Less: third party recoveries						(36,182)
Gross outstanding claims liability						**11,175,300**

Notes to the financial statements (continued)

19 Concentration of Insurance Risk

Refer to the following table for Concentration of Insurance Risk by type and geographical area: ($ million)

	No. Risks	Building	Contents	BI	Total
		$	$	$	$
Northland	23	7	3	1	12
Auckland	984	668	192	128	988
Waikato/Hamilton	58	93	19	16	129
Bay of Plenty/Tauranga/Rotorua	29	33	26	9	68
Taranaki/New Plymouth	202	50	12	8	70
East Coast/Gisbourne	3	6	5	3	14
Manawatu/Wanganui/P. North	47	136	43	31	210
Napier/Hastings/Hawkes Bay	63	268	43	72	384
Wairarapa/Masterton	-	-	-	-	-
Wellington/Lower Hutt/Porirua	50	178	55	56	290
Nelson	39	99	115	64	278
Marlborough/Blenheim	8	16	12	4	32
Canterbury/Christchurch	64	139	96	77	312
Westland/Greymouth	5	20	21	13	54
Otago/Dunedin	6	42	21	20	82
Southland/Invercargill	11	62	20	15	98
Pacific Islands of NZ	15	102	69	33	204
	1,607	1,919	752	550	3,225

20 Unearned premium reserve

	2018	2017
	$	$
Opening balance at 1 April	4,107,512	4,492,745
Deferral of premium on contracts written during the year	5,838,081	4,107,512
Earning of premiums deferred in prior years	(4,107,512)	(4,492,745)
Closing balance at 31 March	5,838,081	4,107,512

Notes to the financial statements (continued)

21 Liability adequacy test

The liability adequacy test is an assessment of the carrying amount of unearned premium liabilities and is conducted at the end of each reporting period. The test is conducted separately for each portfolio of contracts that are subject to broadly similar risks that are managed together as a single portfolio.

The Appointed Actuary has assessed the adequacy of the Unearned Premium Liability by considering Deferred Acquisition Costs and the estimated present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance policies as follows:

Liability Adequacy Test: Pass	2018 $	2017 $
Unearned premium	6,245,002	4,306,083
Related deferred acquisition costs	(437,201)	(337,720)
Net unearned premium	5,807,801	3,968,363
Premium liabilities (*)	(5,318,303)	(1,636,139)
Liability surplus	489,498	2,332,224

(*)including risk margin and claims management expenses

The Appointed Actuary calculated the Premium Liabilities as Unearned Premiums x Claims Ratio of the last five years x Risk Margin loading x Claims Management Expenses loading ($5,318,303 = $6,245,002 x 71% x 1.15 x 1.043).

The Appointed Actuary is not aware of any need to make any allowance for any projected Premium Adjustments or Unclosed Premiums or other commitments arising from the Branch's insurance contracts.

Liability adequacy testing is performed in order to recognise any deficiencies in the Statement of Comprehensive Income arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts.

22 Reconciliation of profit after income tax to net cash inflows from operating activities

Operating activities	2018 $	2017 $
Net profit/(loss) after tax	882,752	4,385,837
Add: Non-cash items		
Depreciation	6,690	10,053
Amortisation	12	18
Increase in trade and other receivables	(791,579)	(861,273)
Decrease in deferred acquisition cost	(46,565)	(4,472)
Increase/(decrease) in trade and other payables	467,628	(1,161,050)
Increase/(decrease) in outstanding claim provision	8,101,027	(285,246)
Increase/(decrease) in unearned premiums	1,730,569	(385,233)
Decrease in income tax receivable	(2,132,528)	(270,308)
Decrease in deferred tax liability	35,295	566
Decrease/(increase) in head office account	(3,277,008)	2,977,990
	4,976,293	4,406,882

Notes to the financial statements (continued)

23 Contingencies and commitments

The Branch had no capital commitments or contingencies as at balance date.

Operating lease commitments

	2018	2017
Non-cancellable operating lease commitments are payable as follows:	$	$
Less than one year	87,339	83,258
Between one and five years	78,549	152,502
More than five years	-	-
	165,888	235,760

Operating Lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income over the lease term as an integral part of the total lease expense.

The Branch leases the office premises and the lease agreement runs to 31 December 2019. The photocopier is also leased for a term of 60 months. The lease expires on 30 August 2021.

24 Related parties

Key management personnel

Remuneration of key management personnel during the year amounted to $276,031 (2017: $255,879).

Transactions and balances

The Head Office has charged the New Zealand branch for Treaty Reinsurance in the amount of $1,728,600 (2017: $1,919,700)

The Head Office has provided funding to support the New Zealand branch and as at 31 March 2018 the New Zealand branch owed the Head Office $18,176,849 (2017: $21,453,857).

Head office account:	2018	2017
	$	$
Opening balance	21,453,857	18,475,867
Funding provided in the current year	1,662,181	3,217,017
Reinsurance recovery	(4,939,189)	(239,027)
Closing balance	18,176,849	21,453,857

No related party debts have been written off or forgiven during the year.

25 Subsequent events

There have been no events subsequent to balance date which would materially affect the financial statements.

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CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The New India Assurance Company Limited - New Zealand Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The New India Assurance Company Limited - New Zealand Branch ('the Branch') on pages 3 to 25, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

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

Basis for Opinion

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

Other than in our capacity as auditor and provider of other assurance services we have no relationship with, or interests in, The New India Assurance Company Limited - New Zealand Branch. The provision of these other assurance services has not impaired our independence.

Other Matter

The financial statements of The New India Assurance Company Limited - New Zealand Branch for the year ended 31 March 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 5 September 2017.

Responsibilities of the Directors 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 NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is N S de Frere.

Staples Rodway

STAPLES RODWAY AUCKLAND
Auckland, New Zealand
17 July 2018