



New Zealand Medical Professionals Limited

Financial report
For the year ended 31 March 2018

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NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

COMPANY DIRECTORY

Company number:	1003859	
Nature of business:	Provides medical malpractice indemnity insurance to medical practitioners and health professionals	
Registered office:	C/- Willis New Zealand 8th Floor, 21 Queen Street Auckland, 1010 New Zealand	
Address for service:	C/- Willis New Zealand 8th Floor, 21 Queen Street Auckland, 1010 New Zealand	
Directors:	Dennis Neil Michael Dixon-Mclver Anthony Gerard Driscoll Brian Lawrence Osborne Deborah Margaret Powell Tanya Shirley Washer David John Francis Leather John Harvey Blair	
Shareholders:	Terrence Rex Powell	375 ordinary shares
	Deborah Margaret Powell	375 ordinary shares
	New Zealand Resident Doctors Association	150 ordinary shares
	Dennis Neil Michael Dixon-Mclver	100 ordinary shares
Auditors:	Staples Rodway Auckland	
Bankers:	ASB Bank Limited Auckland	
Legal counsel:	Bill Manning Level 3, Victoria House, 23 Victoria Street East Auckland	
	Mark Kelly Level 3, Victoria House, 23 Victoria Street East Auckland	
	Parker Cowan Studio E. Shotover Ridge Business Park Glenda Drive, Frankton	
	Health Professional Legal Services Limited Unit E, Building 3, 195 Main Highway Ellerslie, Auckland	

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED


DIRECTORS' REPORT


In accordance with Section 211 (3) of the Companies Act 1993, the shareholders unanimously agree not to make the disclosures set out in Section 211 (1)(a) and Section 211 (1)(e) to (g) in the annual report.

The business of the Company is to provide medical malpractice indemnity insurance to medical practitioners and health professionals.

The nature of the Company's business has not changed during the period.

Signed on behalf of the Board of Directors dated 11 July 2018.

Director: 
Anthony Gerard Driscoll

Director: 
Dennis Dixon-McIver

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	12 months to 31 March 2018 \$	12 months to 31 March 2017 \$
Revenue and other income			
Premium income	5	1,567,630	1,417,312
Investment income	5	286,181	335,014
Other income	5	95,594	1,944
Total revenue	5	<u>1,949,405</u>	<u>1,754,270</u>
Less: expenses			
Claims expense	18	(820,580)	(348,181)
Claims management expense		(83,478)	(83,478)
Reinsurance expense		(95,000)	(65,500)
Administrative expenses	6	(365,651)	(167,803)
Management fees		(144,688)	(105,000)
Other expenses		(20,109)	(4,041)
Total expenses		<u>(1,529,506)</u>	<u>(774,003)</u>
Net movement in insurance contract liabilities		<u>(238,536)</u>	<u>(314,000)</u>
Net profit before income tax		181,363	666,267
Income tax expense	7	(21,707)	(139,693)
Net profit after income tax		159,656	526,574
Other comprehensive income		-	-
Total comprehensive income		<u>159,656</u>	<u>526,574</u>

The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Contributed equity \$	Retained earnings \$	Total
Balance as at 1 April 2016	1,000	3,372,826	3,373,826
Profit for the period	<u>-</u>	<u>526,574</u>	<u>526,574</u>
Total comprehensive income for the period	<u>-</u>	<u>526,574</u>	<u>526,574</u>
Transactions with owners in their capacity as owners:			
Dividends	<u>-</u>	<u>(159,410)</u>	<u>(159,410)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>(159,410)</u>	<u>(159,410)</u>
Balance as at 31 March 2017	<u>1,000</u>	<u>3,739,990</u>	<u>3,740,990</u>
Balance as at 1 April 2017	1,000	3,739,990	3,740,990
Profit for the period	<u>-</u>	<u>159,656</u>	<u>159,656</u>
Total comprehensive income for the period	<u>-</u>	<u>159,656</u>	<u>159,656</u>
Transactions with owners in their capacity as owners:			
Dividends	<u>-</u>	<u>(212,546)</u>	<u>(212,546)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>(212,546)</u>	<u>(212,546)</u>
Balance as at 31 March 2018	<u>1,000</u>	<u>3,687,100</u>	<u>3,688,100</u>


The accompanying notes form part of these financial statements.


NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	31 March 2018 \$	31 March 2017 \$
Current assets			
Cash and cash equivalents	9	873,227	772,817
Receivables	10	400,659	394,195
Other financial assets	11	4,675,285	4,900,306
Current tax assets	7	101,615	-
Total current assets		<u>6,050,786</u>	<u>6,067,318</u>
Noncurrent assets			
Receivables	10	67,181	-
Deferred tax assets	7	4,238	12,227
Total noncurrent assets		<u>71,419</u>	<u>12,227</u>
Total assets		<u>6,122,205</u>	<u>6,079,545</u>
Current liabilities			
Payables	12	290,883	229,947
Insurance contract liabilities	13	2,143,222	2,070,405
Current tax liabilities	7	-	38,203
Total current liabilities		<u>2,434,105</u>	<u>2,338,555</u>
Total liabilities		<u>2,434,105</u>	<u>2,338,555</u>
Net assets		<u>3,688,100</u>	<u>3,740,990</u>
Equity			
Share capital	14	1,000	1,000
Retained earnings	15	3,687,100	3,739,990
Total equity		<u>3,688,100</u>	<u>3,740,990</u>

Signed on behalf of the Board of Directors dated 11 July 2018.

Director: 
Anthony Gerard Driscoll

Director: 
Dennis Dixon-Mclver

The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	12 months to 31 March 2018 \$	12 months to 31 March 2017 \$
Cash flow from operating activities			
Receipts from customers		1,644,436	1,283,970
Reinsurance recoveries		2,000	-
Payments to reinsurers		(95,000)	(65,500)
Claims paid		(1,009,249)	(519,134)
Payments to suppliers		(600,986)	(367,193)
Tax paid		(130,560)	(271,377)
Net cash provided by / (used in) operating activities		(189,360)	60,766
Cash flow from investing activities			
Investment and interest income		52,454	5,789
Repayment of term deposits		2,252,656	553,661
Sale of Investment Fund		-	400,000
Purchase of Investment Fund		-	(450,000)
Purchase of term deposits		(1,815,341)	(400,000)
Net cash provided by investing activities		489,770	109,450
Cash flow from financing activities			
Dividends paid		(200,000)	(150,000)
Net cash provided by / (used in) financing activities		(200,000)	(150,000)
Reconciliation of cash			
Cash and cash equivalents at beginning of the financial period		772,817	752,601
Net increase / (decrease) in cash held		100,410	20,216
Cash and cash equivalents at end of financial period		873,227	772,817

The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

New Zealand Medical Professionals Limited ('the Company') is incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993. The Company is a FMC reporting entity in terms of the Financial Markets Conduct Act 2013. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013. The financial statements of the Company have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010.

The Company is a for profit entity.

The principal activity of the Company is to provide medical malpractice indemnity insurance to medical practitioners and health professionals.

The financial statements were authorised for issue by the Board of Directors on 11 July 2018.

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial report

Compliance with NZ IFRS

Statement of Compliance

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

Historical Cost Basis

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Functional and presentation currency

The financial statements are presented in New Zealand dollars (NZD), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest dollar.

(c) Principles of general insurance

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The insurance activities of the Company consist of all transactions arising from writing general insurance contracts.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and the right to receive the revenue has been established. The following specific recognition criteria must also be met before revenue is recognised:

Premium income

Premium income comprises amounts charged to policyholders and excludes taxes and duties collected on behalf of statutory parties.

The earned portion of premium received and receivable is recognised as revenue. Premium revenue is recognised as earned from the date of attachment of risk, over the period related to the insurance contract in accordance with the pattern of the risk expected under the contract.

The unearned portion of premiums not earned at the reporting date is recognised in the statement of financial position as unearned premium liabilities.

Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset and allocates the interest income, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset. The application of the method has the effect of recognising income on the financial asset evenly in proportion to the amount outstanding over the period to maturity or repayment.

Fair value gains and losses

Fair value gains and losses on financial assets at fair value are recognised through the profit and loss.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue (continued)

Reinsurance and other recoveries

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not reported (IBNR), and incurred but not enough reported (IBNER) are recognised as revenue. Amounts recoverable are assessed in accordance with the terms of the reinsurance contracts, which is in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims. Reinsurance does not relieve the originating insurer of its liabilities to policyholders.

(e) Expenses

Expenses are recognised as incurred in profit or loss on an accrual basis. The following specific recognition criteria must also be met before expenses are recognised:

Claims expense

Claims incurred that relate to the underwriting of insurance contracts and bearing of risks are recognised as an expense through profit and loss when the liability to the policyholder has been established or upon notification of the insured event with the exception of claims incurred but not reported for which a provision is estimated and expense recognised. Outstanding claims are recognised as outstanding claims liability in the statement of financial position to provide for the estimated costs of all claims notified, but not settled at reporting date and the estimated cost of claims incurred but not reported until after year end.

Further information about outstanding claims is included in accounting policy (j) 'outstanding claims liability'.

Reinsurance Expense

Reinsurance expense comprises premium ceded to reinsurers.

The incurred portion of reinsurance premium paid or payable is recognised as an expense. Reinsurance expense is recognised as incurred from the date of attachment of risk, over the period related to the reinsurance contract in accordance with the pattern of the risk expected under the contract.

The unearned portion of reinsurance premium not incurred at the reporting date is recognised in the statement of financial position as deferred reinsurance premiums.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Expenses (continued)

Interest expense

Interest expense is recognised in profit or loss as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial liability and allocates the interest income expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial liability. The application of the method has the effect of recognising expense on the financial liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

(f) Goods and services tax (GST)

All revenues, expenses and certain assets are recognised net of goods and services taxes ('GST') except where the GST is not recoverable. In these circumstances the GST is included in the related asset or expense. Receivables and payables are reported inclusive of GST. The net GST payable to or recoverable from the tax authorities as at balance date is included as a receivable or payable in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis to the extent that the GST is not recoverable and has been included in the expense or asset.

(g) Income tax

Income tax on net profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except when it relates to items recognised outside profit or loss (equity or other comprehensive income), in which case it is also recognised outside profit or loss.

Current income tax is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax (continued)

Deferred income tax liabilities are recognised when tax deductions have exceeded accounting expenditure for temporary differences and depreciation.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

(h) Cash and cash equivalents

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

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments

Classification

The Company classifies financial instruments into one of the following categories at initial recognition: financial assets or liabilities at fair value through profit or loss, available for sale, loans and receivables, held to maturity, and financial liabilities measured at amortised cost.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at reporting date.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows expire or if the Company transfers them without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the company's obligations specified in the contract are extinguished.

Financial assets

Purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Financial assets (continued)

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the financial asset acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

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

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

The Company's financial assets in this category comprise, ASB Bank Term Deposits, units in Milford Funds, units in the Fisher Funds and units in ANZ Investments.

(ii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost using the effective interest rate method.

The Company has not classified any financial assets in this category.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Financial assets (continued)

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Assets in this category are measured at amortised cost using the effective interest method, less any impairment losses.

The Company's loans and receivables comprise cash and cash equivalents, receivables (being premium and claim recovery related receivables) and related party receivables.

(iv) Available for sale

Available for sale financial assets are non-derivative's, principally equity securities, which are either designated in this category or not classified in any of the other categories. They are included in noncurrent assets unless management intends to dispose of the investment within 12 months of the reporting date.

The Company has not classified any financial assets in this category.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When a financial asset carried at amortised cost is uncollectible, it is written off against the allowance account. A financial asset carried at amortised cost is deemed to be uncollectible upon notification of insolvency of the debtor or upon receipt of similar evidence that the Company will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed. Subsequent recoveries of financial asset carried at amortised cost previously written off are credited against the allowance account.

In respect of available – for – sale debt instruments, the loss is reversed through profit or loss. In respect of available – for – sale equity instruments, impairment losses are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated as a separate component of equity in the available – for – sale revaluation reserve.

Financial liabilities

(i) Financial liabilities at fair value through profit or loss

This category has two sub categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability is classified in this category if acquired principally for the purpose of paying in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities if they are either held for trading or are expected to be realised within 12 months of the reporting date.

The Company has not classified any financial liabilities in this category.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Financial liabilities (continued)

(ii) Other financial liabilities

This category includes all financial liabilities other than those designated as fair value through profit or loss. Subsequent to initial recognition liabilities in this category are measured at amortised cost using the effective interest method.

The Company's other financial liabilities comprise payables.

(j) Outstanding claims liability

The outstanding claims liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include amounts in respect of unpaid reported claims, claims incurred but not reported and costs expected to be incurred in settling these claims such as claims related legal, processing and settlement costs. The expected future payments are discounted to present value using a risk free rate.

The estimation of the outstanding claims liability involves a number of key assumptions and is the most critical accounting estimate. The Company engages an independent Actuary to calculate the outstanding claims liability. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing the liability, it is likely that the final outcome will be different from the original liability established. Changes in claims estimates impact profit and loss in the year in which the estimates are changed.

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

Refer to note 18 for more detail on the valuation of the outstanding claims liability, judgments, estimates and assumptions applied.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Liability adequacy test

The liability adequacy test is an assessment of whether the carrying amount of the unearned premium liability is adequate and is conducted at each reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability then the unearned premium liability is deemed to be deficient. The test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. Any deficiency arising from the test is recognised in profit or loss, with the corresponding impact on the statement of financial position.

No deficiency was identified in the 2018 and 2017 reporting periods.

(l) Assets backing insurance contract liabilities

Financial assets are held to back the insurance liabilities on the basis that these assets are valued at fair value in the Statement of Financial Position.

Financial assets backing insurance liabilities consist of liquid and high quality investments such as cash and cash equivalents, fixed interest securities and units in funds held by the Company.

The financial assets that provide backing for the insurance liabilities are closely monitored to ensure that investments are appropriate given the expected pattern of future cash flows arising from insurance liabilities.

Financial assets backing insurance liabilities are managed on a fair value basis and are reported to the Board on this basis, they have been measured at fair value through profit or loss wherever the applicable standard allows.

Fair value is determined as follows:

- cash assets are carried at face value which approximates fair value;
- fixed interest securities and units in funds are valued at the quoted bid price of the instrument at reporting date; and
- receivables are carried at amortised cost less any impairment, which is the best estimate of fair value as they are settled within a short period.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Share capital

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(o) Distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved.

(q) Adoption of new and amended accounting standards that are first operative

There are a number of new and amended standards, and interpretations mandatory for first time adoption for the financial year ended 31 March 2018 but not currently relevant to the Company in preparing these financial statements. These other new and amended standards and interpretations did not have an impact on the Company's financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2018

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

NZ IFRS 9, 'Financial instruments'

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses impairment model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

NZ IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

The effective date is annual reporting periods beginning on or after 1 January 2018. The Company is currently in the process of undertaking an assessment of the possible impact NZ IFRS 9 will have on the Company's financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2018

NZ IFRS 9, 'Financial instruments' (continued)

The indicative impacts of implementing NZ IFRS 9 are as follows:

- Classification and measurement of financial instruments. The Company's financial assets currently include only those measured at amortised cost and those at fair value through profit or loss. The Company anticipates that the classification and measurement of its financial assets will remain unchanged under NZ IFRS 9.
- Impairment model change from incurred losses to expected credit losses. The introduction of the expected credit losses impairment model is expected to involve a change in the timing of when impairment losses are recognised. With regards to the Company's trade receivables, the Company's incurred credit losses from these financial assets have historically not been material. Consequently, the introduction of the expected credit losses impairment model is not expected to have a material impact on the Company's financial statements, given the Company's low exposure to counterparty default risk as a result of the Company's credit risk management processes that are in place.
- Hedge accounting. The Company does not have any material hedging arrangements.

The Company will adopt NZ IFRS 9 for the accounting period beginning on 1 April 2018.

NZ IFRS 15 'Revenue from Contracts with Customers'

NZ IFRS 15 'Revenue from Contracts with Customers' will replace NZ IAS 18 'Revenue'.

NZ IFRS 15 'Revenue from Contracts with Customers' provides a five-step model to be applied to the recognition of revenue arising from contracts with customers:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

NZ IFRS 15 also introduces new disclosures about revenue.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The Company is currently in the process of completing an assessment of the possible impact NZ IFRS 15 will have on the Company's financial statements.

Under NZ IFRS 15 the Company would recognise revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, a company would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2018

NZ IFRS 15 'Revenue from Contracts with Customers' (continued)

The adoption of NZ IFRS 15 is not expected to impact the Company's recognised revenues as the Company's revenue sources are from insurance contracts and financial instruments, which are specifically scoped out of NZ IFRS 15.

Currently the Company's revenue is earned from the following:

- insurance premium revenue; and
- investment income

The insurance premium revenue earned by the Company is a result of its principal activity, which is to provide medical malpractice indemnity insurance to medical practitioners and health professionals, through insurance contracts issued to its customers. These insurance contracts currently fall within the scope of NZ IFRS 4 Insurance Contracts (and in future IFRS 17, refer below) which are specifically scoped out of NZ IFRS 15.

The investment income earned by the Company is a result of financial assets through profit or loss held by the Company. These financial instruments currently fall within the scope of NZ IAS 39 (and in future NZ IFRS 9, refer above) which are specifically scoped out of NZ IFRS 15.

The Company's does not enter into any other material contracts with customers. The Company is yet to assess NZ IFRS 15's full impact and will adopt NZ IFRS 15 for the accounting period beginning on 1 April 2018.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2018

NZ IFRS 17 Insurance contracts

IFRS 17 is an International Financial Reporting Standard that was issued by the International Accounting Standards Board in May 2017. IFRS 17 will replace IFRS 4 Insurance Contracts on accounting for insurance contracts and is effective from 1 January 2021.

Under the IFRS 17, insurance contract liabilities will be calculated at the present value of future insurance cash flows with a provision for risk. The discount rate applied will reflect current interest rates. If the present value of future cash flows would produce a gain at the time an insurance contract is issued, the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would be amortized over the life of the insurance contract. There would also be a new income statement presentation for insurance contracts, including a revised definition of revenue and additional disclosure requirements.

IFRS 17 will also have accommodations for certain specific types of insurance contracts. Short duration insurance contracts will be permitted to use a simplified unearned premium liability model until a claim is incurred. For some contracts, in which the cash flows are linked to underlying items, the liability value will reflect that linkage.

The Company is yet to assess IFRS 17's full effect and impact on the Company's financial statements and intends to adopt IFRS 17 no later than the accounting period beginning on or after 1 April 2021.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of NZ IFRS, the Board of Directors and Management are 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 experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from the estimates, judgments and assumptions made by the Board of Directors and Management.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments 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.

In particular, information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is outlined below:

(a) Insurance contract liabilities

Refer to note 18 for more detail on the valuation of the insurance contract liabilities judgments, estimates and assumptions applied.

(b) Current and deferred income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. Refer also note 7.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest forecasts of future earnings of the Company. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Refer also to note 7.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 4: FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks comprising:

- (a) Credit risk
- (b) Liquidity risk
- (c) Interest rate risk
- (d) Market price risk
- (e) Fair values compared with carrying amounts

The Board of Directors have overall responsibility for identifying and managing operational and financial risks.

The Company holds the following financial instruments:

	31 March 2018 \$	31 March 2017 \$
Financial Assets		
Cash and cash equivalents	873,227	772,817
Receivables	467,840	394,195
Financial assets at fair value through profit and loss	4,675,285	4,900,306
	<u>6,016,352</u>	<u>6,067,318</u>
Financial Liabilities		
Payables	290,883	229,947
	<u>290,883</u>	<u>229,947</u>

(a) Credit risk

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

The Company's exposure to credit risk, or the risk of counterparties defaulting arises mainly from cash at bank, receivables, and investments in term deposits and unitised funds.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company has material credit risk exposures under financial instruments entered into by the Company, these include cash at bank (refer note 9), receivables (refer note 10), term deposits (refer note 11) and investments in unitised funds (refer note 11). The following describes how the Company manages the credit risk associated with these exposures:

(i) Cash deposits

Credit risk for cash at bank and terms deposits is managed by holding all cash deposits with high credit rating financial institutions (i.e. major registered New Zealand bank ASB Bank Limited with a Standard and Poor's rating of 'AA' 'outlook negative').

(ii) Receivables

Credit risk for receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The aging analysis of trade and other receivables is provided in Note 10. As the Company undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk. With the exception of the credit risk exposures to the New Zealand regional health boards the Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers throughout the New Zealand.

(iii) Other financial instruments

Credit risk for term deposits is managed for other financial instruments by dealing exclusively with 'A' rated or above (Standard & Poor's) counterparties. The ASB Bank Limited term deposits have a Standard and Poor's ratings of AA 'outlook stable'. Credit risk for investments in unitised funds is managed by dealing exclusively with 'BBB' rated or above (Standard & Poor's) counterparties.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 4: FINANCIAL RISK MANAGEMENT

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company monitors its liquidity position on a continuous basis and plans its operating activities to ensure a balanced liquidity position. The Company practices prudent risk management by maintaining sufficient cash balances. If necessary the Company will build up cash reserves to meet longer term liabilities.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

	< 6 months	6-12 months	1-5 years	Total Contractual Cash Flows	Carrying Amount
	\$	\$	\$	\$	\$
Year Ended 31 March 2018					
Payables	290,883			290,883	290,883
	<u>290,883</u>	<u>-</u>	<u>-</u>	<u>290,883</u>	<u>290,883</u>
Year Ended 31 March 2017					
Payables	229,947			229,947	229,947
	<u>229,947</u>	<u>-</u>	<u>-</u>	<u>229,947</u>	<u>229,947</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Company's exposure to interest rate risk arises mainly from its interest earning cash and term deposits. The Company's exposure to interest rate risk is to the extent that it invests for a fixed term at fixed rates. The Company's policy is to obtain the most favourable term and interest rate available.

Cash deposits and term deposits are subject to market risk in the event of changes in interest rates. As these securities are carried at net market value, the effective interest rate is reflected in the market price. By investing with registered banks the Company minimises the impact of market interest rate fluctuations.

The Company's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Interest bearing	Non-interest bearing	Total Carrying Amount	Weighted average effective interest rate
31 March 2018				
<i>Financial Assets</i>				
Cash	287,598	585,629	873,227	0.16%
Financial assets at fair value through profit & loss	1,602,432	-	1,602,432	3.42%
	1,890,030	585,629	2,475,659	
31 March 2017				
<i>Financial Assets</i>				
Cash	243,395	529,422	772,817	0.16%
Financial assets at fair value through profit & loss	2,037,315	-	2,037,315	3.42%
	2,280,711	529,422	2,810,132	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	31 March 2018 \$	31 March 2017 \$
+ / - 100 basis points		
Impact on profit after tax	18,900	22,807
Impact on equity	13,608	16,421

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

One component of market risk has been identified for the Company: unit price risk.

This risk is managed by ensuring that all investment activities are undertaken in accordance with the investment guidelines and approved limits.

The Company invests primarily in investment funds which invest into diversified portfolios of domestic and international securities. This reduces the impact of a particular security underperforming.

(i) Unit price risk

Unit price risk is the risk that the Company's profit or loss will fluctuate as a result of changes in unit price.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market price risk (continued)

Sensitivity

Investments in unitised funds at fair value through profit and loss are measured at fair value at reporting date based on current bid prices. If security prices were to increase/decrease by 5% from fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	31 March 2018	31 March 2017
Listed Securities		
+ / - 5% price variation	\$	\$
Impact on profit after tax	153,643	143,150
Impact on equity	110,623	103,068

(e) Fair values compared with carrying amounts

The carrying value of all financial assets and liabilities not measured at fair value approximates their fair values as they are either short term in nature or rate insensitive.

Cash and cash equivalents

These assets are short term in nature and the carrying value is equivalent to their fair value.

Trade and other receivables

These assets are short term in nature and are reviewed for impairment; the carrying value approximates their fair value.

Trade and other payables

These liabilities are short term in nature; the carrying value approximates their fair value.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 Inputs for the asset or liability that are not based on observable market data

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 March 2018				
Recurring fair value measurements				
Financial assets				
<i>Financial assets at fair value through profit and loss</i>				
Term Deposits ASB Bank New Zealand	-	1,602,432	-	1,602,432
Units in Milford Asset Management	-	1,490,528	-	1,490,528
Units in Fisher Funds	-	1,014,107	-	1,014,107
Units in ANZ Investments	-	470,126	-	470,126
Units in Devon Fund	-	98,092	-	98,092
Total financial assets	0	4,675,285	-	4,675,285
31 March 2017				
Recurring fair value measurements				
Financial assets				
<i>Financial assets at fair value through profit and loss</i>				
Term Deposits ASB Bank New Zealand	-	2,037,315	-	2,037,315
Units in Milford Asset Management	-	1,398,355	-	1,398,355
Units in Fisher Funds	-	936,010	-	936,010
Units in ANZ Investments	-	427,671	-	427,671
Units in Devon Fund	-	100,955	-	100,955
Total financial assets	0	4,900,306	-	4,900,306

Term deposits

The fair value of term deposits are recognised are determined by reference to the interest rate set at inception of the term deposit.

Unitised Funds

The fair value of investments in unitised funds are determined by reference to published exit prices, being the redemption price based on the market price quoted by the fund manager.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 5: REVENUE AND OTHER INCOME

	31 March 2018 \$	31 March 2017 \$
Premium	1,567,630	1,417,312
Investment		
- Interest		
- Bank - current accounts	1,618	1,073
- Bank - term deposit accounts	68,822	65,977
- IRD - Use of Money Interest	404	(6,204)
- Fund Income:		
- Milford Fund	92,174	127,305
- Fisher Fund	78,096	102,968
- ANZ International Share Fund	47,929	42,940
- Devon Australian Fund	(2,863)	955
Total investment income	<u>286,181</u>	<u>335,014</u>
Other income	<u>95,594</u>	<u>1,944</u>
Total revenue	<u>1,949,405</u>	<u>1,754,270</u>

NOTE 6: EXPENSES

Bad debts		
- other	-	-
Disclosure items included within		
- Remuneration of auditors	24,645	24,643
- Directors fees	111,917	32,500
Remuneration of auditors for: <i>Staples Rodway Auckland</i>		
Audit and assurance services		
- Audit of financial statements	14,600	13,001
- Audit of solvency return	2,500	2,000
Other non-audit services		
- Other accounting services	-	-
- Taxation compliance services	7,545	9,642
	<u>24,645</u>	<u>24,643</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 7: INCOME TAX

	31 March 2018 \$	31 March 2017 \$
(a) Components of tax expense		
Current tax	33,583	158,744
Deferred tax	7,989	(5,192)
Under/(Over) provision in prior years	(19,865)	(13,859)
	<u>21,707</u>	<u>139,693</u>

(b) Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

Income tax payable on profit before income tax at 28.0%	50,782	186,555
- non-assessable income	(17,199)	(27,811)
- non-deductible expenses	-	-
- under/(over) provision in prior years	(19,865)	(13,859)
- movement in temporary differences	7,989	(5,192)
Income tax expense attributable to profit	<u>21,707</u>	<u>139,693</u>

(c) Deferred tax

	31 March 2018 \$	31 March 2017 \$
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Loss reserve	-	-
Other provisions	4,238	12,227
Net deferred tax assets / (liabilities)	<u>4,238</u>	<u>12,227</u>

(d) Deferred income tax (revenue)/expense included in income tax

Decrease / (increase) in deferred tax assets	7,989	(5,192)
	<u>7,989</u>	<u>(5,192)</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 8: IMPUTATION CREDIT ACCOUNT

Opening balance	1,476,346	1,293,190
New Zealand tax payments paid	126,312	224,442
Resident Withholding Tax paid	21,387	18,235
Other credits	8,470	8,786
New Zealand tax refunds received	-	-
Imputation credits attached to dividends paid	(82,657)	(68,307)
Other debits	-	-
At reporting date	<u>1,549,858</u>	<u>1,476,346</u>

NOTE 9: CASH AND CASH EQUIVALENTS

	31 March 2018 \$	31 March 2017 \$
Cash at bank	<u>873,227</u>	<u>772,817</u>

NOTE 10: RECEIVABLES

CURRENT

Premium receivable	333,064	358,492
Prepayments	36,073	22,390
Claim recovery receivables	24,000	-
Other receivables	7,522	13,313
	<u>400,659</u>	<u>394,195</u>

NON-CURRENT

Claim recovery receivables	67,181	-
	<u>67,181</u>	<u>-</u>

NOTE 11: OTHER FINANCIAL ASSETS

CURRENT

Financial assets at fair value through profit and loss

Term Deposits - ASB Bank New Zealand (i)	1,602,432	2,037,315
Units in Milford Asset Management (ii)	1,490,528	1,398,355
Units in Fisher Funds (iii)	1,014,107	936,010
Units in ANZ (iv)	470,126	427,671
Units in Devon Australian Fund (v)	98,092	100,955
Total financial assets at fair value through profit and loss	<u>4,675,285</u>	<u>4,900,306</u>

(i) Bank Term Deposits

Bank Deposits represent term deposits with ASB Bank Limited.

(ii) Units in Milford Asset Management

Units in Milford Asset Management represent investments in the Milford Diversified Income Fund.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 11: OTHER FINANCIAL ASSETS (CONTINUED)

(iii) Units in the Fisher Funds

Units in the Fisher Funds represent investments in the Fisher Property & Infrastructure Fund.

(iv) Units in the ANZ Investments

Units in the ANZ Investments represent investments in the ANZ International Share Fund.

(iv) Units in the Devon Funds

Units in the Devon Funds represent investments in the Devon Australian Fund.

NOTE 12: PAYABLES

	31 March 2018	31 March 2017
	\$	\$
CURRENT		
Unsecured		
Trade	133,032	74,698
GST payable	110,800	114,936
Other	47,051	40,313
	<u>290,883</u>	<u>229,947</u>

NOTE 13: INSURANCE CONTRACT LIABILITIES

CURRENT		
Unearned premium income	1,039,017	986,736
Outstanding claims liability	1,104,205	1,083,669
	<u>2,143,222</u>	<u>2,070,405</u>

(a) Reconciliations

Reconciliation of the carrying amounts of provisions at the beginning and end of the current financial period

Unearned premium income (current)

Opening balance	986,736	884,696
Deferral of premiums on contracts written during the current period	1,039,017	986,736
Earning of premiums deferred during the prior period	(986,736)	(884,696)
Closing balance	<u>1,039,017</u>	<u>986,736</u>

Outstanding claims liability (current)

Opening balance	1,083,669	937,415
Additional amounts recognised	20,536	146,254
Closing balance	<u>1,104,205</u>	<u>1,083,669</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 14: SHARE CAPITAL

	31 March 2018	31 March 2017
	\$	\$
Issued and paid-up capital		
1,000 (2017: 1,000) Ordinary shares	<u>1,000</u>	<u>1,000</u>

Rights of each type of share

These ordinary shares are fully paid and have no par value. The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regards to the Company's residual assets.

Capital management

The Company's capital management objectives are to:

- maintain an 'actual solvency capital' that exceeds the 'minimum solvency capital' requirements per the 'Solvency Standard for Non-life Insurance Business' issued by the Reserve Bank of New Zealand ('RBNZ') per the on-going licensing requirements of the Company's licence to carry on insurance business in New Zealand issued by the RBNZ 28 June 2013 under section 19 of the Insurance (Prudential Supervision) Act 2010 (IPSA);
- maintain a strong capital base to protect insurance contract policyholders; and
- ensure equity holder objectives are met, the primary of which is to ensure the Company's continued ability to provide a consistent return to its equity shareholders through a combination of capital growth and distributions.

The Company manages its capital by considering the return on capital reported under the New Zealand Financial Reporting Standards and projections of the solvency capital margin. In order to achieve these objectives the Company seeks to maintain gearing and solvency ratios that balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable to Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, or new share issue, the Company takes into consideration not only its short term position but also its long term operational and strategic objectives.

During the year ended 31 March 2018 and 31 March 2017, the Company has maintained compliance with all externally imposed capital and licensing requirements.

Refer to note 18 for the Company's solvency capital disclosures required by the IPSA.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 15: RETAINED EARNINGS

	31 March 2018	31 March 2017
	\$	\$
Retained earnings at the beginning of the year	3,739,990	3,372,826
Net profit for the year	159,656	526,574
Dividend payable / paid during the year	(212,546)	(159,410)
Retained earnings at the end of the year	<u>3,687,100</u>	<u>3,739,990</u>

NOTE 16: RELATED PARTY TRANSACTIONS

The Company had related party dealings with the following related parties:

Related party	Relationship
Contract Negotiation Services Limited	Common owners/key management personnel

(a) Transactions

	12 months to 31 March 2018	12 months to 31 March 2017
	\$	\$
Directors fees	119,917	32,500
Claims management - Contract Negotiation Services Limited	<u>83,478</u>	<u>83,478</u>

(b) Payables

	31 March 2018	31 March 2017
	\$	\$
Contract Negotiation Services Limited	<u>30,710</u>	<u>14,045</u>
	<u>30,710</u>	<u>14,045</u>

The Contract Negotiation Services Limited balance is non-interest bearing and payable upon normal trade credit terms ranging from 30 - 90 days.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company

31 March 2018 \$	31 March 2017 \$
-	-
-	-

The names of directors who have held office during the year are:

Name	Appointment / resignation details
Dennis Dixon-Mclver	Appointed 24 May 2010
Anthony Driscoll	Appointed 14 November 2012
Brian Osborne	Appointed 25 July 2012
Deborah Powell	Appointed 09 December 1999
Tanya Washer	Appointed 13 December 2016
David Leather	Appointed 13 December 2016
John Harvey Blair	Appointed 5 December 2017

NOTE 18: INSURANCE CONTRACTS

	12 months to 31 March 2018 \$	12 months to 31 March 2017 \$
(a) Underwriting result		
Direct premium income	1,567,630	1,417,312
Outward reinsurance expense	(95,000)	(65,500)
Net premium	<u>1,472,630</u>	<u>1,351,812</u>
Claims expense	820,580	348,181
Reinsurance recoveries	-	-
Net claims	<u>820,580</u>	<u>348,181</u>
Net movement in insurance contract	238,536	314,000
Other underwriting expenses	83,478	83,478
Underwriting result	<u>330,036</u>	<u>606,153</u>
Investment and other income	381,775	336,958
Other expenses	(530,448)	(276,844)
Operating profit before taxation	<u>181,363</u>	<u>666,267</u>
Income tax expense	(21,707)	(139,693)
Operating profit after taxation	<u><u>159,656</u></u>	<u><u>526,574</u></u>
(b) Net claims incurred		
Gross claims incurred	820,580	348,181
Reinsurance and other recoveries	-	-
Net claims incurred	<u><u>820,580</u></u>	<u><u>348,181</u></u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 18: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(i) Gross incurred claims

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

	Prior	Current	Total
31 March 2018			
Gross claims incurred			
Direct claims - undiscounted	255,445	565,135	820,580
Movement in discount	-	-	-
Gross claims expense	<u>255,445</u>	<u>565,135</u>	<u>820,580</u>
31 March 2017			
Gross claims incurred			
Direct claims - undiscounted	55,668	292,513	348,181
Movement in discount	-	-	-
Gross claims expense	<u>55,668</u>	<u>292,513</u>	<u>348,181</u>

(ii) Reinsurance and other recoveries

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

For the year ended 31 March 2018 the Company recognised recoveries of \$91,181, there were no reinsurance or other recoveries (31 March 2017: none).

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 18: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

Note	31 March 2018 \$	31 March 2017 \$
(c) Outstanding claims liability		
Central estimate of expected present value of future payments for claims incurred	763,491	710,184
Risk margin	152,698	136,904
Claims handling costs	229,047	287,498
	<u>1,145,236</u>	<u>1,134,586</u>
Discount	(41,032)	(50,917)
Outstanding claims liability	<u>1,104,205</u>	<u>1,083,669</u>

The Company's Actuary, Peter Davies, B.Bus.Sc, FNZSA, FI, has calculated the estimate of the outstanding claims liability as at reporting date for the Company by review of historical claim data and the estimated cost of settling claims on the basis of past performance and trends.

The outstanding claims liability has been determined in accordance with NZ IFRS 4, Insurance Contracts issued by the New Zealand External Reporting Board, and Professional Standard No. 30 of the New Zealand Society of Actuaries – Valuation of General Insurance Claims.

The Company's Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. The outstanding claims liability is set at a level that is appropriate and sustainable to cover the Company's claims obligations after having regard to the prevailing market environment and prudent industry practice.

The key assumptions adopted the Company's Actuary in calculation of the outstanding claims liability are set out below.

At the reporting date, there are no qualifications contained in the Actuarial Report.

(i) Assumptions adopted in calculation of the outstanding claims liability

Key assumptions

The following key assumptions were used by the Actuary:

- claims reporting patterns: in line with past experience;
- risk margin: 20.0% (31 March 2017: 20.0%);
- claims management allowance: 25.0% (31 March 2017: 35.0%); and
- discount rate: 2.30% (31 March 2017: 2.50 %).

Claims reporting patterns

The claims reporting pattern assumed in the estimate of the outstanding claim liability is in line with the Company's past experience.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 18: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(c) Outstanding claims liability (continued)

(i) Assumptions adopted in calculation of the outstanding claims liability (continued)

Risk margin

The estimate of the outstanding claims liability also includes a risk margin that relates to the inherent uncertainty in the central estimate of the future payments. Risk margins are determined on a basis that reflects the Company's business. Regard is given to the robustness of the valuation models, the reliability and volume of available data, past experience of the insurer and the industry and the characteristics of the classes of business written.

Uncertainty in claims is represented as a volatility measure in relation to the central estimate. The volatility measure is derived after consideration of statistical modelling and benchmarking to industry analysis. The measure of the volatility is referred to as the coefficient of variation, defined as the standard deviation of the distribution of future cash flows divided by the mean.

The risk margins applied to future claims payments are determined with the objective of achieving at least 75% probability of sufficiency for both the outstanding claims liability and the unexpired risk liability.

Claims management allowance

The estimate of the outstanding claims liability incorporates an allowance for the future cost of administering the claims. This allowance is determined after analysing historical claim related expenses incurred by the classes of business.

Discount rate

The estimate of the outstanding claim liability is discounted to present value using a risk free rate relevant to the term of the liability.

(ii) Sensitivity analysis

Generally all insurance business entered into is long tail in nature. Key sensitivities relate to the reporting times payment durations and discount rate.

The movement in any of these key variables will impact the performance and equity of the Company. The business written is long tail in nature and therefore it will be more impacted by changes in assumptions over time.

The following table describes how a change in each assumption will affect the outstanding claim liability and shows an analysis of the sensitivity of the profit or loss and equity.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 18: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(c) Outstanding claims liability (continued)

(ii) Sensitivity analysis (continued)

Variable	Movement	31 March 2018 \$	31 March 2017 \$
Effect on profit and loss			
- Reporting times	10% longer	(87,345)	(68,858)
- Reporting times	10% shorter	74,059	58,534
- Payment durations	10% longer	(293,423)	(271,584)
- Payment durations	10% shorter	225,194	204,086
- Discount rate	1 % higher	16,728	18,979
- Discount rate	1% lower	(17,385)	(19,749)
Effect on equity			
- Reporting times	10% longer	(62,888)	(49,578)
- Reporting times	10% shorter	53,323	41,145
- Payment durations	10% longer	(211,264)	(195,540)
- Payment durations	10% shorter	162,140	146,942
- Discount rate	1 % higher	12,044	13,665
- Discount rate	1% lower	(12,517)	(14,220)

(d) Insurance risk

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to the expectations at the time of underwriting. The risks inherent in any single insurance contract are the possibility of the insured event occurring and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, these risks are random and unpredictable. In relation to the pricing of individual insurance contracts and the determination of the level of outstanding claims provision in relation to a portfolio of insurance contracts, the principal risk is that the ultimate claims payment will exceed the carrying amount of the provision established.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 18: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(d) Insurance risk (continued)

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

The Company manages its insurance risks through regular risk register reviews in which business risks are identified and where possible are mitigated. The Company also uses the services of the appointed Actuary and insurance advisers and brokers to provide advice and assistance on managing insurance risk. In addition, the Company maintains a detailed analysis of historical claims and a detailed knowledge of the current developments in the specific market that the Company operates in. The Company has also maintained a significant reserve of liquid assets to better compensate for the associated risks. With reinsurance, the Company's policy is to only engage with reinsurer's that have a credit rating of 'A-' or above. Currently the Company's reinsurers are QBE, who have a rating of 'A+' (31 March 2017: QBE, A+).

(ii) Concentration of insurance risk

The Company is exposed to a single concentration of insurance risk, which is medical malpractice indemnity insurance to medical practitioners and health professionals. The risk is managed through the use of an actuary and internal analysis as described above, and the use of a reinsurance provider.

(iii) Development of claims

The average weighted expected term to settlement from the reporting date of claims included in the outstanding claims liability is 0.55 years (31 March 2017: 0.55 years).

(e) Liability adequacy test

Liability adequacy tests are performed to determine whether the unearned premium income liability is sufficient to cover the present value of the expected cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claims handling costs and other administration costs relating to the business.

If the unearned premium income liability less related deferred acquisition costs exceeds the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimate then the unearned premium liability is deemed to be sufficient. The risk margins applied to future claims were determined with the objective of achieving at least 75% probability of sufficiency of the unexpired risk liability using the same methodology as described above.

The unearned premium income liability as at reporting date is sufficient (31 March 2017: sufficient).

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 18: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(f) Insurer financial strength rating

As described in accounting policy (a), for the financial years beginning 1 April 2015 and 1 April 2016, the Company currently met the requirements for small insurer exemptions under Insurance (Prudential Supervision) Regulations 2010. Under Section 238 of the Insurance (Prudential Supervision) Act 2010 and clauses 9 and 11 of the Insurance (Prudential Supervision) Regulations 2010, the Company is exempt from holding a current financial strength rating from an approved rating agency as required by section 60 of the Insurance (Prudential Supervision) Act 2010.

As described in accounting policy (a), the Company will not be relying on the exemption from holding a current financial strength rating from 1 April 2017. Subsequent to reporting date, on 6 April 2017, the Company obtained a B+ financial strength rating from A.M. Best Company.

The financial strength rating scale used by A.M. Best is:

A++, A+ (Superior);
A, A (Excellent);
B++, B+ (Good);
B, B (Fair);
C++, C+ (Marginal);
C, C (Weak);
D (Poor);
E (Under Regulatory Supervision);
F (In Liquidation); and
S (Suspended).

(g) Reinsurance programme

Reinsurance programmes are structured to adequately protect the Company's solvency and capital positions.

Reinsurance is purchased to make the Company's results less volatile by reducing the effect of large individual claims or multiple small claims.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 18: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(h) Solvency requirements

Separate to the insurance contract liabilities which include the unearned premium income liability and the outstanding claims liability, insurance companies are required to maintain sufficient capital to meet solvency requirements. These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on the insurance businesses. The methodology and bases for determining the solvency requirement are in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010.

The minimum equity required to be retained to meet solvency requirements over and above the insurance contract liabilities for the Company is shown below.

	31 March 2018	31 March 2017
	\$	\$
Actual solvency capital	3,582,246	3,728,762
Minimum solvency capital	3,000,000	1,808,045
Solvency margin	<u>582,246</u>	<u>1,920,717</u>
Solvency ratio	<u>1.19</u>	<u>2.06</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

NOTE 19: CASH FLOW INFORMATION

	31 March 2018 \$	31 March 2017 \$
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	159,656	526,574
Non cash items		
Movement in deferred taxes	7,989	(5,192)
(Gain) / loss in investment funds	(158,813)	(219,870)
Movement in insurance contract liabilities	20,536	314,000
Other items		
Items included in investing activities	(67,432)	(60,846)
Changes in assets and liabilities		
(Increase) / decrease in receivables	(73,645)	(297,392)
(Increase) / decrease in fair value of investment	(51,048)	(219,099)
Increase / (decrease) in payables	65,072	12,232
Increase / (decrease) in income tax payable	(143,955)	(91,681)
Increase / (decrease) in unearned premium liabilities	52,280	102,040
Cash flows from operating activities	(189,360)	60,766

NOTE 20: COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies at reporting date (31 March 2017: \$Nil).

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2018 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2018, of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2018, of the Company.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of New Zealand Medical Professionals Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of New Zealand Medical Professionals Limited ('the Company') on pages 3 to 46, 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 Company 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 New Zealand Medical Professionals Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than New Zealand Medical Professionals Limited and the Shareholders of New Zealand Medical Professionals Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

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

Other than in our capacity as auditor and provider of other assurance services, our firm carries out other assignments for New Zealand Medical Professionals Limited in the area of taxation compliance services. The provision of these other services has not impaired our independence.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

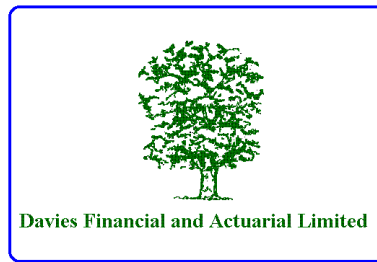
The engagement partner on the audit resulting in this independent auditor's report is Nigel de Frere.

A handwritten signature in black ink that reads 'Staples Rodway' in a cursive script.

STAPLES RODWAY AUCKLAND

Auckland, New Zealand

11 July 2018



10th July 2018

To: The Directors
New Zealand Medical Professionals Limited

From: Peter Davies
Appointed Actuary

**Re: New Zealand Medical Professionals Limited: Report as
at 31st March 2018 under Sections 77 and 78 of the
Insurance (Prudential Supervision) Act 2010**

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for New Zealand Medical Professionals Limited as at 31st March 2018. ÷Actuarial informationö includes the following:
 - policy liabilities;
 - solvency calculations in terms of the RBNZ Solvency Standard;
 - balance sheet and other information allowed for in the calculation of the company's solvency position; and
 - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.
2. No limitations have been placed on my work.

3. I am independent with respect to New Zealand Medical Professionals Limited as defined under professional standard ISA (NZ) 620 of the External Reporting Board.
4. I have been provided with all information that I have requested in order to carry out this review.
5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.
6. New Zealand Medical Professionals Limited exceeded the minimum capital required under the RBNZ Solvency Standard for Non-Life Insurance Business 2014, as at 31st March 2018. The Company is no longer classified as a "small insurer" under the Regulations and as such has a minimum solvency requirement of \$3m. The company is projected to exceed the minimum requirement at all times over the next three years.

I would be very happy to answer any queries concerning this report.

Yours sincerely



Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary