



New Zealand Medical Professionals Limited

Financial report
For the year ended 31 March 2020

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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:	Unit E, Building 3 195 Main Highway, Ellerslie Auckland, 1051 New Zealand	
Address for service:	Unit E, Building 3 195 Main Highway, Ellerslie Auckland, 1051 New Zealand	
Directors:	Dennis Neil Michael Dixon-Mclver Anthony Gerard Driscoll 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:	Baker Tilly 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

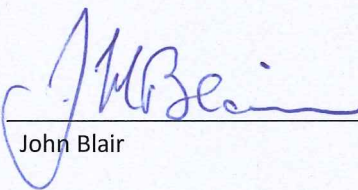
DIRECTORS' REPORT

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 28 July 2020.

Director: 
John Blair

Director: 
David Leather

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	12 months to 31 March 2020 \$	12 months to 31 March 2019 \$
Revenue and other income			
Premium income	5	2,159,344	1,737,415
Investment income	5	1,868	397,976
Other income	5	92,696	164,769
Total revenue		<u>2,253,908</u>	<u>2,300,160</u>
Less: expenses			
Claims expense	17	(913,285)	(861,376)
Claims management expense	15	(95,217)	(83,480)
Reinsurance expense		(87,500)	(99,900)
Administrative expenses	6	(356,717)	(382,365)
Management fees		(163,763)	(158,250)
Total expenses		<u>(1,616,482)</u>	<u>(1,585,371)</u>
Net movement in insurance contract liabilities	12	<u>(302,000)</u>	<u>(210,795)</u>
Net profit before income tax		335,426	503,994
Income tax expense	7	<u>(136,701)</u>	<u>(129,586)</u>
Net profit after income tax		198,725	374,408
Other comprehensive income		-	-
Total comprehensive income		<u>198,725</u>	<u>374,408</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 2020**

	Contributed equity \$	Retained earnings \$	Total
Balance as at 1 April 2018	1,000	3,687,100	3,688,100
Profit for the period	<u>-</u>	<u>374,408</u>	<u>374,408</u>
Total comprehensive income for the period	<u>-</u>	<u>374,408</u>	<u>374,408</u>
Transactions with owners in their capacity as owners:			
Dividends	<u>-</u>	<u>-</u>	<u>-</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31 March 2019	<u>1,000</u>	<u>4,061,508</u>	<u>4,062,508</u>
Balance as at 1 April 2019	1,000	4,061,508	4,062,508
Profit for the period	<u>-</u>	<u>198,725</u>	<u>198,725</u>
Total comprehensive income for the period	<u>-</u>	<u>198,725</u>	<u>198,725</u>
Transactions with owners in their capacity as owners:			
Dividends	<u>-</u>	<u>(531,365)</u>	<u>(531,365)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>(531,365)</u>	<u>(531,365)</u>
Balance as at 31 March 2020	<u>1,000</u>	<u>3,728,868</u>	<u>3,729,868</u>


The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	31 March 2020 \$	31 March 2019 \$
Current assets			
Cash and cash equivalents		565,999	1,369,230
Receivables	9	1,395,348	903,535
Other financial assets	10	5,046,366	4,827,957
Current tax assets		56,362	-
Total current assets		<u>7,064,075</u>	<u>7,100,722</u>
Noncurrent assets			
Receivables	9	71,982	112,976
Deferred tax assets	7	26,867	6,860
Total noncurrent assets		<u>98,849</u>	<u>119,836</u>
Total assets		<u>7,162,924</u>	<u>7,220,558</u>
Current liabilities			
Payables	11	293,812	361,675
Insurance contract liabilities	12	3,139,244	2,689,412
Current tax liabilities		-	106,966
Total current liabilities		<u>3,433,056</u>	<u>3,158,053</u>
Total liabilities		<u>3,433,056</u>	<u>3,158,053</u>
Net assets		<u>3,729,868</u>	<u>4,062,508</u>
Equity			
Share capital	13	1,000	1,000
Retained earnings	14	3,728,868	4,061,508
Total equity		<u>3,729,868</u>	<u>4,062,508</u>

Signed on behalf of the Board of Directors dated 28 July 2020.

Director: 
John Blair

Director: 
David Leather

The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	12 months to 31 March 2020 \$	12 months to 31 March 2019 \$
Cash flow from operating activities		
Receipts from customers	1,712,474	1,735,312
Claim recoveries	129,939	67,478
Payments to reinsurers	(180,000)	(99,900)
Claims paid	(872,128)	(892,806)
Payments to suppliers	(823,590)	(590,362)
Tax paid	(62,355)	39,418
Net cash provided by / (used in) operating activities	(95,660)	259,140
Cash flow from investing activities		
Investment and interest income	92,429	56,740
Repayment of term deposits	2,910,000	1,007,260
Sale of Investment Fund	700,000	1,222,863
Purchase of Investment Fund	(200,000)	(150,000)
Purchase of term deposits	(3,710,000)	(1,900,000)
Net cash provided by investing activities	(207,571)	236,863
Cash flow from financing activities		
Dividends paid	(500,000)	-
Net cash provided by / (used in) financing activities	(500,000)	-
Reconciliation of cash		
Cash and cash equivalents at beginning of the financial period	1,369,230	873,227
Net increase / (decrease) in cash held	(803,231)	496,003
Cash and cash equivalents at end of financial period	565,999	1,369,230

The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 licensed insurer under the Insurance (Prudential Supervision) Act 2010, and 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 28 July 2020.

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.

(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 2020

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.

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.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(i) Financial instruments

(a) Classification of financial assets

The Company classifies its financial assets into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL'),
- those to be measured subsequently at fair value through other comprehensive income ('FVTOCI'), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset that meets the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the above, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Company has no financial assets classified at FVTOCI.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(i) Financial assets measured at amortised cost

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Company's financial assets measured at amortised cost consists of receivables disclosed in note 9.

(ii) Financial assets at FVTPL

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent fair value gains or losses recognised in profit or loss.

The Company's financial assets at FVTPL consists of term deposits and investments in unit funds as disclosed in note 10.

(b) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses ('ECL') is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company always recognises lifetime ECL for premium receivables, amounts due from reinsurers and other receivables. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(c) Classification of financial liabilities

The Company classifies its financial liabilities into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL'); and
- those to be measured at amortised cost.

The Company has no financial liabilities measured at FVTPL.

(i) Financial liabilities measured at amortised cost

At initial recognition financial liabilities are measured at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The Company's financial liabilities measured at amortised cost consists of trade and other payables disclosed in note 11.

(j) Outstanding claims liability

The outstanding claims liability is measured as the present value of expected future payments relating to claims incurred at the reporting date ('the central estimate'), 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 17 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 2020

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 2020 and 2019 reporting periods.

(l) Assets backing insurance contract liabilities

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.

(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.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

The Company has applied all new and revised accounting standards that apply to annual reporting periods beginning on or after 1 April 2019. The following new or revised standards, amendments and interpretations that became effective for the year beginning 1 April 2019:

• NZ IFRS 16 Leases

NZ IFRS 16 *Leases* replaced NZ IAS 17 *Leases*. NZ IFRS 16 eliminated the distinction between operating and finance leases for lessees and resulted in lessees bring most leases onto their Statement of Financial Position. A use of a control model for the identification of leases was introduced. This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Assets (a right of use asset) and liabilities (a lease liability reflecting future lease payments) is now recognised in respect of all leases, with the exception of certain short-term and low value assets. The adoption of this standard had no material impact on the Company as the Company is not party to any lease contracts, where the Company is a lessee.

• NZ IFRIC 23 Uncertainty over Income Tax Treatments

This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group (depending on which approach gives a better prediction of the resolution of the uncertainty), and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If it is probable a tax authority will accept the treatment, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, the entity should reflect the effect of uncertainty in determining its accounting tax position by estimating the tax payable (or receivable), using either the most likely amount or the expected value method. The adoption of this standard had no material impact on the Company as it has not taken any uncertain tax positions.

Other standards and amendments adopted include Amendments to NZ IFRS 9 *Prepayment Features with Negative Compensation*; the Annual Improvements to NZ IFRS Standards 2015–2017 Cycle, which include amendments to four Standards, NZ IAS 12 *Income Taxes*, NZ IAS 23 *Borrowing Costs*, NZ IFRS 3 *Business Combinations*, and NZ IFRS 11 *Joint Arrangements*. These amendments while adopted, either had no material impact or relate to standards not currently applied by the Company.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2020

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 2020

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 17 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 2020**

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 2020	31 March 2019
	\$	\$
Financial Assets		
Cash and cash equivalents	565,999	1,369,230
Receivables	1,330,104	974,020
Financial assets at fair value through profit and loss	5,046,366	4,827,957
	6,942,469	7,171,207
Financial Liabilities		
Payables	293,812	361,675
	293,812	361,675

(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 2020**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The Company has material credit risk exposures under financial instruments entered into by the Company, these include cash at bank, receivables (refer note 9), term deposits (refer note 10) and investments in unitised funds (refer note 10). 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-').

(ii) Receivables

Credit risk for premium receivables is small with a minimal amount of insureds opting to pay via a monthly payment option. In the event of non payment insurance policies are cancelled from the effective date.

The aging analysis of premium and other receivables is provided in Note 9. 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 premium receivables by undertaking transactions with a large number of customers throughout the New Zealand.

The Board has considered the impact of COVID-19 to premium and other receivables and determined it to be minimal.

(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-.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2020					
Payables	293,812			293,812	293,812
	293,812	-	-	293,812	293,812
Year Ended 31 March 2019					
Payables	361,675			361,675	361,675
	361,675	-	-	361,675	361,675

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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.

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 2020				
<i>Financial Assets</i>				
Cash	38,832	527,167	565,999	0.01%
Financial assets at fair value through profit &	2,100,000	-	2,100,000	2.76%
	2,138,832	527,167	2,665,999	
31 March 2019				
<i>Financial Assets</i>				
Cash	227,428	1,141,801	1,369,229	0.08%
Financial assets at fair value through profit &	2,500,000	-	2,500,000	3.31%
	2,727,428	1,141,801	3,869,229	

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 2020

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 2020 \$	31 March 2019 \$
+ / - 100 basis points		
Impact on profit before tax	21,388	27,274
Impact on equity	15,400	19,637

(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 2020

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 2020	31 March 2019
Listed Securities		
+ / - 5% price variation	\$	\$
Impact on profit before tax	147,318	116,398
Impact on equity	106,069	83,806

(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.

Premium 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 2020

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 2020				
Recurring fair value measurements				
Financial assets				
<i>Financial assets at fair value through profit and loss</i>				
Term Deposits ASB Bank New Zealand	-	2,100,000	-	2,100,000
Units in Milford Diversified Income Fund	-	2,086,597	-	2,086,597
Units in Fisher Property & Infrastructure Fund	-	332,707	-	332,707
Units in ANZ International Share Fund	-	143,194	-	143,194
Units in Milford Active Growth Fund	-	184,659	-	184,659
Units in Milford Trans-Tasman Bond Fund	-	199,210	-	199,210
Total financial assets	-	5,046,367	-	5,046,367

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 March 2019				
Recurring fair value measurements				
Financial assets				
<i>Financial assets at fair value through profit and loss</i>				
Term Deposits ASB Bank New Zealand	-	2,500,000	-	2,500,000
Units in Milford Diversified Income Fund	-	1,623,916	-	1,623,916
Units in Fisher Property & Infrastructure Fund	-	372,597	-	372,597
Units in ANZ Investments	-	140,620	-	140,620
Units in Devon Fund	-	190,824	-	190,824
Total financial assets	-	4,827,957	-	4,827,957

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 2020**

NOTE 5: REVENUE AND OTHER INCOME

	31 March 2020 \$	31 March 2019 \$
Premium	2,159,344	1,737,415
Investment		
- Interest		
- Bank - current accounts	716	2,064
- Bank - term deposit accounts	82,741	63,912
- Changes in financial assets at fair value through profit and loss		
- Milford Diversified Income Fund	(37,318)	133,387
- Fisher Property & Infrastructure Fund	(39,890)	158,490
- ANZ International Share Fund	2,574	24,528
- Devon Australian Fund	-	(229)
- Milford Active Growth Fund	(6,165)	15,824
- Milford Trans-Tasman Bond Fund	(790)	-
Total investment income	<u>1,868</u>	<u>397,976</u>
Other income		
Claim recovery	67,440	162,151
Interest Income	22,190	-
AP Management fees	3,066	2,618
Total other income	<u>92,696</u>	<u>164,769</u>
Total revenue	<u>2,231,718</u>	<u>2,300,160</u>

NOTE 6: EXPENSES

Bad debts		
- other	-	-
Disclosure items included within administration		
- Directors fees	101,000	105,167
Remuneration of auditors for:		
<i>Baker Tilly Staples Rodway Auckland</i>		
Audit and assurance services		
- Audit of financial statements	22,000	22,000
- Audit of solvency return	4,500	2,500
Other non-audit services		
- Taxation compliance services	10,330	14,457
	<u>36,830</u>	<u>38,957</u>
Other Administrative expenses	218,887	343,408
Total Administrative expenses	<u>356,717</u>	<u>382,365</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 7: INCOME TAX

	31 March 2020 \$	31 March 2019 \$
(a) Components of tax expense		
Current tax	137,221	139,734
Deferred tax	(20,007)	(2,622)
Under/(Over) provision in prior years	19,487	(7,526)
	<u>136,701</u>	<u>129,586</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%	93,919	141,118
- non-assessable income	(7,459)	(1,384)
- taxable income adjustments	44,873	-
- under/(over) provision in prior years	19,487	(7,526)
- movement in temporary differences	(14,119)	(2,622)
Income tax expense attributable to profit	<u>136,701</u>	<u>129,586</u>

(c) Deferred tax

	31 March 2020 \$	31 March 2019 \$
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Other provisions	26,867	6,860
Net deferred tax assets / (liabilities)	<u>26,867</u>	<u>6,860</u>

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

Decrease / (increase) in deferred tax assets	(20,007)	(2,622)
	<u>(20,007)</u>	<u>(2,622)</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

	31 March 2020 \$	31 March 2019 \$
NOTE 8: IMPUTATION CREDIT ACCOUNT		
Opening balance	1,476,719	1,549,858
New Zealand tax payments paid	295,000	-
Resident Withholding Tax paid	25,035	17,765
Other credits	4,828	51,521
New Zealand tax refunds received	-	(142,424)
Imputation credits attached to dividends paid	(175,646)	-
At reporting date	<u>1,625,937</u>	<u>1,476,719</u>

NOTE 9: RECEIVABLES

CURRENT

Premium receivable	1,138,838	754,130
Prepayments	137,226	42,491
Claim recovery receivables	115,186	96,862
Other receivables	4,098	10,052
	<u>1,395,348</u>	<u>903,535</u>

NON-CURRENT

Claim recovery receivables	71,982	112,976
	<u>71,982</u>	<u>112,976</u>

NOTE 10: OTHER FINANCIAL ASSETS

CURRENT

Financial assets at fair value through profit and loss

Term Deposits - ASB Bank New Zealand	(i)	2,100,000	2,500,000
Units in Milford Asset Management	(ii)	2,470,465	1,814,740
Units in Fisher Funds	(iii)	332,707	372,597
Units in ANZ Investments	(iv)	143,194	140,620
Total financial assets at fair value through profit and loss		<u>5,046,366</u>	<u>4,827,957</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, Milford Active Growth Fund and Milford Trans-Tasman Bond Fund.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 10: OTHER FINANCIAL ASSETS (CONTINUED)

(iii) Units in Fisher Funds

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

(iv) Units in ANZ Investments

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

NOTE 11: PAYABLES

	31 March 2020 \$	31 March 2019 \$
CURRENT		
Unsecured		
Trade creditors	112,345	141,164
GST payable	144,027	177,511
Other creditors	37,440	43,000
	<u>293,812</u>	<u>361,675</u>

NOTE 12: INSURANCE CONTRACT LIABILITIES

CURRENT		
Unearned premium income	1,522,244	1,374,412
Outstanding claims liability	1,617,000	1,315,000
	<u>3,139,244</u>	<u>2,689,412</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	1,374,412	1,039,017
Deferral of premiums on contracts written during the current period	1,522,244	1,374,412
Earning of premiums deferred during the prior period	(1,374,412)	(1,039,017)
Closing balance	<u>1,522,244</u>	<u>1,374,412</u>

Outstanding claims liability (current)

Opening balance	1,315,000	1,104,205
Additional amounts recognised	302,000	210,795
Closing balance	<u>1,617,000</u>	<u>1,315,000</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 13: SHARE CAPITAL

	31 March 2020	31 March 2019
	\$	\$
Issued and paid-up capital		
1,000 (2019: 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 2020 and 31 March 2019, the Company has maintained compliance with all externally imposed capital and licensing requirements.

Refer to note 17 for the Company's solvency capital disclosures required by the Insurance (Prudential Supervision) Act 2010 ('IPSA').

NOTE 14: RETAINED EARNINGS

	31 March 2020	31 March 2019
	\$	\$
Retained earnings at the beginning of the year	4,061,508	3,687,100
Net profit for the year	198,725	374,408
Dividend payable / paid during the year	(531,365)	-
Retained earnings at the end of the year	<u>3,728,868</u>	<u>4,061,508</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 15: 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 2020	12 months to 31 March 2019
	\$	\$
Directors fees	101,000	105,167
Claims management - Contract Negotiation Services Limited	95,217	83,478
	<hr/>	<hr/>

(b) Payables

	31 March 2020	31 March 2019
	\$	\$
Contract Negotiation Services Limited	11,531	31,745
	<hr/>	<hr/>
	11,531	31,745

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

NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company

31 March 2020	31 March 2019
\$	\$
-	-
<hr/>	<hr/>
-	-
<hr/>	<hr/>

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

Name	Appointment / resignation details
Dennis Dixon-Mclver	Appointed 24 May 2010 / Resigned 27 May 2020
Anthony Driscoll	Appointed 14 November 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

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 17: INSURANCE CONTRACTS

	12 months to 31 March 2020 \$	12 months to 31 March 2019 \$
(a) Underwriting result		
Direct premium income	2,159,344	1,737,415
Outward reinsurance expense	(87,500)	(99,900)
Net premium	2,071,844	1,637,515
Claims expense	913,285	861,376
Reinsurance recoveries	-	-
Net claims	913,285	861,376
Net movement in insurance contract liabilities	302,000	210,795
Other underwriting expenses	95,217	83,480
Underwriting result	761,342	481,864
Investment and other income	94,564	562,745
Other expenses	(520,480)	(540,615)
Operating profit before taxation	335,426	503,994
Income tax expense	(136,701)	(129,586)
Operating profit after taxation	198,725	374,408
(b) Net claims incurred		
Gross claims incurred	913,285	861,376
Net claims incurred	913,285	861,376

(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 2020			
Gross claims incurred			
Direct claims - undiscounted	190,038	1,007,385	1,197,423
Movement in discount	7,337	10,525	17,862
Gross claims expense	197,375	1,017,910	1,215,285
31 March 2019			
Gross claims incurred			
Direct claims - undiscounted	146,258	911,051	1,057,309
Movement in discount	5,313	9,546	14,862
Gross claims expense	151,571	920,599	1,072,171

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(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 2020 the Company recognised recoveries of \$67,440, there were no reinsurance or other recoveries (31 March 2019: \$162,151).

	31 March 2020 \$	31 March 2019 \$
(c) Outstanding claims liability		
Central estimate of expected present value of future payments for claims incurred	1,237,325	1,013,979
Risk margin	244,748	202,796
Claims handling costs	146,849	121,677
	<u>1,628,922</u>	<u>1,338,452</u>
Discount	(11,922)	(23,452)
Outstanding claims liability	<u>1,617,000</u>	<u>1,315,000</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 claims 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.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(c) Outstanding claims liability (continued)

The key assumptions adopted by 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 2019: 20.0%);
- claims management allowance: 10.0% (31 March 2019: 10.0%); and
- discount rate: 0.67% (31 March 2019: 1.45%).
- large claim smoothing: 20% (31 March 2019: nil)

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.

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.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(c) Outstanding claims liability (continued)

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

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 2020

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(c) Outstanding claims liability (continued)

(ii) Sensitivity analysis (continued)

Variable	Movement	31 March 2020 \$	31 March 2019 \$
Effect on profit and loss			
- Payment durations	10% longer	(632,162)	(503,436)
- Payment durations	10% shorter	413,471	336,701
- Discount rate	1 % higher	22,814	17,443
- Discount rate	1% lower	(23,625)	(18,013)
- Large claim smoothing	20% higher	(165,488)	-
Effect on equity			
- Payment durations	10% longer	(455,156)	(362,474)
- Payment durations	10% shorter	297,699	242,425
- Discount rate	1 % higher	16,426	12,559
- Discount rate	1% lower	(17,010)	(12,970)
- Large claim smoothing	20% higher	(119,151)	-

(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 2020

NOTE 17: 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 2019: 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 term to settlement from the event date of claims included in the outstanding claims liability is 1.9 years (31 March 2019: 0.55 years from date reported)

(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 2019: sufficient).

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(f) Insurer financial strength rating

The Company is required to hold a current financial strength rating from an approved rating agency as required by section 60 of the Insurance (Prudential Supervision) Act 2010.

As at 31 March 2020 the Company holds a B+ financial strength rating from A.M. Best Company (31 March 2019: B+).

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.

(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 2020	31 March 2019
	\$	\$
Actual solvency capital	3,646,639	4,055,650
Minimum solvency capital	3,000,000	3,000,000
Solvency margin	646,639	1,055,650
Solvency ratio	122%	135%

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 18: CASH FLOW INFORMATION

	31 March 2020 \$	31 March 2019 \$
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	198,725	374,408
Non cash items		
(Gain) / loss in investment funds	145,752	(112,200)
Movement in insurance contract liabilities (IBNR)	302,000	210,795
Other items		
Items included in investing activities	(111,909)	(33,635)
Changes in assets and liabilities		
(Increase) / decrease in receivables	(450,819)	(548,671)
(Increase) / decrease in fair value of investment	(64,162)	(40,472)
Increase / (decrease) in payables	(67,863)	70,792
Increase / (decrease) in income tax payable	(70,612)	2,729
Increase / (decrease) in unearned premium liabilities	147,832	335,395
Cash flows from operating activities	<u>28,945</u>	<u>259,140</u>

NOTE 19: COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies at reporting date (31 March 2019: \$Nil).

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2020 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2020, of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2020, of the Company.
- (d) the impact of COVID-19 on the valuation of receivables and investments of the Company.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

NOTE 21: GLOBAL PANDEMIC OF CORONAVIRUS DISEASE 2019

In March 2020, the World Health Organization declared an ongoing global outbreak of a novel coronavirus ('COVID-19') as a pandemic. Governments and regulators worldwide (including in New Zealand) have and continue to implement a range of public health and social measures to prevent and contain the transmission of COVID-19; and economic responses to provide financial stimulus and welfare support to mitigate the economic impacts of the COVID-19 pandemic.

Whilst the COVID-19 pandemic and measures implemented have lowered overall economic activity, the Company's earnings, cash flow and financial position have not been materially impacted, with the exception of investment revenue and valuation of other financial assets as at reporting date, since the outbreak began and up to the date of the signing of these financial statements.

In response to the COVID-19 pandemic, and the measures implemented to contain the transmission of COVID-19, Management has:

- Implemented appropriate health and safety responses to ensure the continuity and compliance of its business operations under all levels of the public health and social measures implemented.
- Undertaken an analysis of its forecast cashflows for 12 months from the date of signing these financial statements. This analysis includes the consideration of: reasonably possible changes in key forecast assumptions; and whether the Company's application of the going concern basis of accounting remains appropriate. In addition, the Company's actuary has recommended that the Company's current accrual rate for future claims provisioning is appropriate, and that it be maintained.
- Assessed the direct and indirect financial impacts of the pandemic on the carrying value of reported amounts of assets, liabilities, revenues and expenses. Specifically, Management has considered the financial impact on the following items:

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NOTE 21: GLOBAL PANDEMIC OF CORONAVIRUS DISEASE 2019 (CONTINUED)

Valuation of insurance contract liabilities (refer note 12)

The Company's actuary has valued the Company's insurance contract liabilities as at 31 March 2020. The actuarial valuation report was issued on date 16 July 2020. There are no COVID-19 related valuation uncertainties, disclaimers or limitations included in the valuation. The Company's reinsurer, QBE Insurance (Australia) Limited has a Standard and Poor's rating of 'A+'.

Increases in expected credit losses for financial assets (refer notes 9 & 10)

For the Company's premium receivables from policyholders, should a policyholder fail to settle amounts due, the Company has the ability to suspend or terminate the policy. As a result, amounts due that are unpaid are credited, as the policyholder either has no insurance cover or is no longer insured. The debtors that make up the Company's receivables also continue to pay balances subsequent to reporting date. The Company has concluded there has been no change in expected credit losses as a result of COVID-19 in these debtors.

The Company's financial assets at FVTPL consists of term deposits with New Zealand registered banks and New Zealand Government securities.

As at the date of the signing these financial statements, it is not possible to determine any further resulting financial impact, if any, of the ongoing COVID-19 pandemic on the Company and the items described above. As such, it is not practicable to provide any further quantitative or qualitative estimates.

The Company has cash and cash equivalents and term deposits available, (as at 30 June 2020, \$1.03m and \$4m, respectively), which provides sufficient operating cashflows for the Company's foreseeable operating cashflow requirements.

The Directors have determined that the Company's application of the going concern basis of accounting remains appropriate.

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 40, which comprise the statement of financial position as at 31 March 2020, 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 2020, 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 Company. Our audit work has been undertaken so that we might state to the Shareholders of the Company those matters 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 Shareholders of the Company as a body, 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) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of Insurance Contract Liabilities</p> <p>As disclosed in Note 12 of the Company's financial statements, the Company has insurance contract liabilities of \$3.14m. The Company's insurance contract liabilities were significant to our audit due to the size of the liabilities and the subjectivity, complexity and uncertainty inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain.</p> <p>Management has engaged an external actuarial expert to estimate the Company's insurance contract liabilities as at 31 March 2020.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> ▪ Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, integrity of data provided to Management's external actuarial expert used in the estimation process and Management's review of the estimates; ▪ Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions; ▪ Agreeing the data provided to Management's external actuarial expert to the Company's records; ▪ Engaging our own actuarial expert to assist in understanding and evaluating: <ul style="list-style-type: none"> ○ the work and findings of the Company's external actuarial expert engaged by Management; ○ the Company's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management; ▪ Assessing the selection of methods and assumptions with a view to identify management bias; ▪ Evaluating the related disclosures about insurance contract liabilities, and the risks attached to them which are included in Note 17 in the Company's financial statements.

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 fairly 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.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

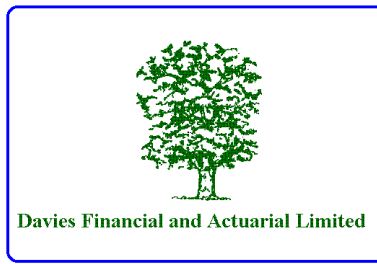
The engagement partner on the audit resulting in this independent auditor's report is N S de Frere.



BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

28 July 2020



22nd July 2020

To: The Directors
New Zealand Medical Professionals Limited

From: Peter Davies
Appointed Actuary

**Re: New Zealand Medical Professionals Limited: Report as
at 31st March 2020 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 2020.
The actuarial information includes the following:
 - policy liabilities;
 - solvency calculations in terms of the RBNZ Solvency Standard;
 - balance sheet and other information allowed for in the calculation of
the company's solvency position; and
 - disclosures regarding the methodology and assumptions used for
calculating policy liabilities, and other disclosures.
2. No limitations have been placed on my work.

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 2020. The company is projected to exceed the minimum requirement at all times over the next four years.

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

Yours sincerely



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