Product Care (NZ) Limited

12 November 2014

The New Zealand Companies Office
Private Bag 92061
Victoria Street West
AUCKLAND 1142

Dear Sir/Madam

I refer to your letter of 11 November 2014 in relation to the filing of our Financial Year 2014 Financial Statements.

We originally lodged our Financial Year 2014 Financial Statements in September 2014 including information that was part of our submission responsibilities to the Reserve Bank of New Zealand (RBNZ) as a Licensed Insurer under the Insurance (Prudential Supervision) Act 2010.

During October 2014, the RBNZ requested that the solvency margin disclosure be corrected to disclose the dollar amount under the RBNZ solvency standards. These changes were made to Note 18 Equity.

In addition, the updated Financial Statements included a change to Note 1 Reporting Entity of the date that the financial statements were authorised for issue by the Directors as well as a newly dated audit report from our auditors.

I enclose copies of the relevant Notes from both the initial and the amended Financial Statements.

The Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes In Equity and the Statement of Cash Flows were not amended.

If you require any further information, please contact me on +61 2 88539135.

Yours faithfully,

Graham Harris

Chief Financial Office

Product Care (NZ) Limited

Product Care (NZ) Limited CN 331 5009
a subsidiary company of ICF Holdings NZ Limited

www.icfrith.co.nz

Auckland
1/5278 Rosebank Road, Avondale, Auckland City, New Zealand
PO Box 8896 Symonds Street Auckland New Zealand
Tel: 64 9 820 9710 Fax: 64 9 820 9720

Australia • New Zealand • Singapore • Malaysia • Ireland • Slovenia

Original

1. Reporting entity

Product Care (NZ) Limited ("the Company") is a company limited by shares, incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The Company is an issuer in terms of the Financial Reporting Act 1993.

The Company was established to provide warranty underwriting services. These services commenced from 1 June 2013.

The financial statements of the Company are for the year ended 30 June 2014, and were authorised for issue by the Directors on 29 September 2014.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-oriented entities. The Company is a profit-oriented entity. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The financial statements also comply with International Financial Reporting Standards (IFRS).

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993. This is effective for all profit entities with reporting periods beginning on or after 1 April 2014 and will be effective for the Company's 30 June 2015 year end. It is expected that the change in legislation will have no material impact on the Company's obligation to prepare general purpose financial statements.

In addition to the change in legislation, the External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the financial standards to be applied to entities with statutory financial reporting obligations. The Company is currently reporting under NZ IFRS. Under the XRB framework, Management expects that the Company is expected to continue to apply NZ IFRS as applicable for Tier 1 for-profit entities. Management expects that this will have no material impact on the preparation and disclosures included in the financial statements.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets and outstanding claims liabilities.

NZ IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other NZ IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other NZ IFRSs, including NZ IFRS 7.

In accordance with the transitional provisions of NZ IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not changed any comparative information for new disclosures. Notwithstanding the above, the change has had no significant impact on the measurements of the Company's assets and liabilities. The Company has not disclosed fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Original

18. Equity

Share capital

In thousands

	2014	2013
Issued for cash (number of shares)	3,000	3,000
On issue at 30 June 2014	3,000	3,000

Issued at NZ$1 per share.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

The Company, in relation to its capital adequacy, meets all requirements as specified by the Reserve Bank of New Zealand.

Capital Management

The capital management strategy of the Company is to optimise shareholder value by managing the level, mix and use of capital resources. The main objectives are to ensure sufficient capital resources to maintain the business and operational requirements, retain sufficient capital to exceed externally imposed capital requirements, and ensure the entity's ability to continue as a going concern. The Company's capital policy is to hold all surplus capital in bank deposits with bank credit ratings of a minimum of AA.

The Company's capital includes contributed equity on the statement of financial position of $3,000,000 (2013: $3,000,000).

The Company is required to hold a minimum of $3,000,000 in capital and to comply fully with the Reserve Bank of New Zealand ("RBNZ") regulatory compliance for an insurer covering New Zealand domiciled risks. This capital requirement has been complied with and as at 30 June 2014 the solvency margin was 1.94 (2013: 1.69).

There were no changes in the Company's approach to capital management during the year.

Original

18. Equity (continued)

The Company satisfied all externally imposed capital requirements which they were subject to during the twelve months to 30 June 2014.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the Solvency Standard for Non-Life Insurance Business issued October 2011 (incorporating amendments to May 2012 by the RBNZ).

The Company's Audit and Risk Committee oversees the computations and capital solvency is carefully monitored against the Company's capital management plan. In addition, the Company manages the required level of capital through maintaining a minimal risk investment strategy and maintaining a strong reinsurance quota share.

The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used is total equity attributable to owners. Total equity attributable to owners equates to "capital" as the defined in the solvency standard and shown below.

Regulatory capital is made up of two components, actual solvency capital and minimum solvency capital, with the difference representing the solvency margin. The calculation of the solvency margin for the Company is detailed below

Summary of Solvency position

In thousands of NZD

	2014	**2013**
Balance Sheet capital	3,634	3,084
Deductions	-	-
Actual solvency Capital	3,634	3,084
Risk Based Charges		
Insurance Risk	1,105	1,047
Catastrophe Risk	304	304
Reinsurance Recoveries Risk	166	174
Asset Risk	232	106
Interest Rate Risk	67	190
Minimum Solvency Capital	1,874	1,821
Solvency Margin	1,760	1,263
Solvency Ratio	1.94	1.69

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The Company's capital includes contributed equity on the statement of financial position of $3,000,000 (2013: $3,000,000).

The Company is required to hold a minimum of $3,000,000 in capital and to comply fully with the Reserve Bank of New Zealand ("RBNZ") regulatory compliance for an insurer covering New Zealand domiciled risks. This capital requirement has been complied with and as at 30 June 2014 the solvency margin was $633,788 (2013: $84,000).

There were no changes in the Company's approach to capital management during the year.

Amended

18. Equity (continued)

The Company satisfied all externally imposed capital requirements which they were subject to during the twelve months to 30 June 2014.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the Solvency Standard for Non-Life Insurance Business issued October 2011 (incorporating amendments to May 2012 by the RBNZ).

The Company's Audit and Risk Committee oversees the computations and capital solvency is carefully monitored against the Company's capital management plan. In addition, the Company manages the required level of capital through maintaining a minimal risk investment strategy and maintaining a strong reinsurance quota share.

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Asset Risk	232	106
Interest Rate Risk	67	190
Minimum Solvency Capital	1,874	1,821
Minimum Capital Requirement	3,000	3,000
Solvency Margin	634	84
Solvency Ratio	1.21	1.03

Product Care (NZ) Limited

Section 78 (IPSA) Appointed Actuary's Report – Product Care (NZ) Limited

30 June 2014

Andrew Scott, FNZSA FIAA

Manager – Strategic Planning and Group Actuary

Dated: 30th September 2014

1. Introduction and Scope

The accompanying valuation report dated 18 July 2014 outlines the basis of the provisions for Product Care (NZ) Limited ("PCL") at 30 June 2014. PCL has exposures to Harvey Norman extended warranties and other manufacturers' warranty liabilities in New Zealand, referred to as "premium liabilities". The valuation report was produced for the Directors of PCL and its controlling entity ICF Holdings (NZ) Ltd.

2. Declaration of Interests

I am employed by the parent companies of PCL but otherwise have no financial interests or conflicts of interest to disclose in relation to this report.

3. Opinion on Actuarial Information in Financial Statements

I have reviewed the Actuarial Information included in the 2014 financial statements of PCL both for the purpose of this report and also for the purpose of the Financial Condition Report ('FCR') dated 30 September 2014.

I have reviewed entries in:

- the Statement of Financial Position (the balance sheet),
- the Statement of Comprehensive Income (the profit and loss),
- and all commentary in the notes (1 – 25) to the accounts,
- the warranty sales data generated by Harvey Norman and the claim data generated in New Zealand under the administration of ICF NZ, and corresponding invoices.

I could find no instance where the values of key financial quantities in the financial statements for PCL, as at 30 June 2014, were different to recommendations made to PCL in the actuarial reports in my capacity as the Appointed Actuary to PCL (or in data and/or information provided).

I could also find no instance where, in my opinion, the representation of Actuarial Information in the financial statements (including the notes to the accounts) was inappropriate.

4. Opinion on Solvency Margin

I have reviewed the solvency margin as documented in the FCR of PCL dated 30 September 2014 and can confirm compliance with the Insurance (Prudential Supervision) Act 2010. I can also confirm PCL has met its 2-year target to exceed the minimum Statutory capital under the Act by at least another \$500,000 – or \$3.5 mill. in net capital.

5. Statements by Actuary

I, Andrew Scott, hereby declare the following in relation to this report:

- This report is prepared for the Directors of Product Care (NZ) Limited after having received its licence from the RBNZ at 1 June 2013.
- It incorporates all past and current liabilities at 30 June 2014 including those transferred from South Pacific Warranty Services Limited to Product Care (NZ) Limited at 1 June, 2013.
- This report complies with the New Zealand professional standard for the valuation of insurance liabilities (PS 4.1: General Insurance Business).
- There are no other limitations of which I am aware at the date of signing.

Signed ....

Andrew Scott FNZSA FIAA
Manager – Strategic Planning and Group Actuary

Date 30 September 2014

Product Care (NZ) Limited
Registration Number 3315009

Annual Report for the year ended 30 June 2014

Product Care (NZ) Limited

Annual report

For the year ended 30 June 2014

Contents

Product Care (NZ) Limited

Directors' Report

The Board of Directors present the annual report of Product Care (NZ) Limited (the "Company") incorporating the financial statements and auditor's report for the year ended 30 June 2014.

With the agreement of the shareholders, the Company has taken advantage of reporting concessions available to it under Section 211 (3) of the Companies Act 1993.

Directors

The following persons were Directors of the Company during the financial year unless otherwise stated:

Simon Cook
Anthony Jones
David Goodsall
David Whyte

Registered Office

Grant Thornton Auckland Limited
L4, Grant Thornton House
152 Fanshawe Street
Auckland

Auditors

KPMG
18 Viaduct Harbour Ave,
Auckland

Company details

Company incorporation number	3315009
Inland Revenue Department (IRD) number	106 701 792

Holding company

ICF Holdings (NZ) Limited RN 1695428

Bankers

ANZ Banking Group (NZ) Limited
15 Mercari Way
Albany, Auckland

Solicitors

Phillips Fox
205 Queen Street
Auckland

Principal activities

The Company provided warranty underwriting services during the course of the financial year. These services commenced from 1 June 2013. There has been no significant change in the nature of these activities during the year.

Directors' Report (continued)

Review of operations

The net profit after income tax for the year ended 30 June 2014 was $550,000 compared with $79,000 for the year ended 30 June 2013.

Matters subsequent to the end of the financial year

There is, at the date of this Report, no matter or circumstance that has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

a) the Company's operations in future financial years;
b) the results of those operations in future financial years; or
c) the Company's state of affairs in future financial years

Information on Directors in office at the date of this report

David Goodsall

David Goodsall is an Australian resident and was appointed to the Board of Directors on 1st April 2013. He is the chairman of the Audit Risk and Compliance Committee. Mr Goodsall is an actuary with extensive experience in the financial and risk management aspects of a wide range of Financial Services companies. He led the Actuarial Practice at Ernst & Young in Australia for many years before starting his own firm in 2009. David now advises Boards and management on strategic governance. He is also a Director of Medical Insurance Australia Limited.

David Whyte, M.A (Hons) M.Mgt

David Whyte is a New Zealand resident and was appointed to the Board of Directors on 1st April 2013. He is the chairman of the Board of Directors. Mr. Whyte was a Non-executive Director of Southern Response Ltd (2012 – 2014); CEO and Executive Director of Ginger Group Financial Services Ltd (2010 – 2012); Non-executive Director of Fidelity Life Assurance Ltd (2009 – 2010); Managing Director of AIG Life Australia (2002 – 2006). Mr. Whyte is a member of the Financial Disputes Resolution Advisory Council and is retained on contract as a Course Facilitator by the NZ Institute of Directors. He has a post-graduate master's degree in Management, and a post-graduate qualification in Corporate Governance & Leadership.

Anthony Jones

Anthony Jones is the Chairman of the Board of ICF Holdings Pty Ltd and is a New Zealand resident. He was appointed to the Board of Directors on 1 April 2011. ICF Holdings Pty Ltd is the ultimate parent entity of the ICF Group which is head-quartered in Sydney, Australia. The ICF Group has operations throughout Australia, New Zealand, Singapore, Malaysia, Ireland, Slovenia and Croatia and operates in the insurance broking, warranty administration and insurance underwriting business segments. Product Care (NZ) Limited ("PCL") is a 100% owned subsidiary of the ICF Group.

In addition, Mr Jones also holds executive functions as Managing Director of IC Frith (NZ) Ltd and General Manager for PCL and South Pacific Warranty Services Limited ("SPWS"). Mr Jones's experience includes underwriting, risk management and surveying, national account management and broking gained in international companies such as Vero Insurance, FAI Insurance, HIH Insurance and QBE Insurance.

Mr Jones has a Diploma of Financial Insurance from the ANZ Institute of Insurance & Finance.

Simon Cook

Simon Cook is the CEO of the ICF Group and is an Australian resident. He was appointed to the Board of Directors on 1 April 2011. Mr Cook has 24 years' experience in the insurance industry having worked for Allianz and then the ICF Group from 2004.

Mr Cook has a Diploma of Financial Insurance from the ANZ Institute of Insurance & Finance.

This report is made in accordance with a resolution of the Directors.

The Board of the Company authorised these financial statements for issue on 20 October 2014.

On behalf of the Board

Simon Cook

Director

Date : 20/10/2014

David Goodsall

Director

Date : 20/10/2014

Product Care (NZ) Limited

Corporate Governance Statement

Product Care (NZ) Limited ("the Company") is incorporated in New Zealand. The Company is a wholly owned subsidiary of ICF Holdings (NZ) Limited. ICF Holdings (NZ) Limited's ultimate parent is ICF Holdings Pty Ltd, an Australian privately owned company.

There are two executive directors and two non-executive directors who have been appointed to the Board of Directors ("the Board").

The primary role of the Board is to provide effective governance of the Company's affairs to protect the interests of its shareholders, whilst having regard for the interests of all stakeholders including policyholders, employees, suppliers and the wider community.

The Board is accountable to its shareholders for the performance of the Company and has overall responsibility for the Company's operations.

This statement contains an outline of the principles, policies, procedures and practices that the Board and Management have implemented to govem the operations of the Board and the Company.

In establishing this corporate governance framework, the Board has had regard to its responsibilities at law and various governance standards, including the Governance Guidelines for Licensed Insurers issued by the Reserve Bank of New Zealand in June 2011.

The Board has adopted a Board Charter, which sets out the principles for the operation of the Board of Directors and provides a description of the functions and responsibilities of the Board and the functions delegated to management.

The key functions of the Board are summarised below:

- Approve the strategic direction and related objectives of the Company;
- Consider and approve the Company's annual budget including revenue, profit, capital expenditure and cash flows, as proposed by management, ensuring appropriate resources are available to achieve the business objectives;
- Monitor the financial performance in the implementation and achievement of strategic and business objectives;
- Review and approve the Company's capital management policies and plans, having regard for the various liquidity and capital adequacy regulatory requirements applying to the Company;
- Approve and oversee the process developed by management to ensure business risks are identified;
- Approve systems of risk management, risk appetite, regulatory compliance and control and associated Company policies to manage those risks;
- Monitor management's implementation of, and compliance with, these systems and controls;
- Manage and assess the performance of the Chief Executive;
- Assess the performance of the Chief Executive and approve the Chief Executive's assessment of the performance of each Executive; and
- Determine and approve the level of authority to be delegated to the Chief Executive in respect of operating expenditures, capital expenditures, credit facilities, and risk-taking and approve the further delegation of those authorities to management by the Chief Executive.

Corporate Governance Statement (continued)

The Board may also delegate certain powers, duties and responsibilities to one or more committees of the Board.

The Board is committed to the highest standards of ethical behaviour.

Board members are appointed in accordance with a documented process and all appointments are subject to shareholder approval. There is a formal procedure in place for evaluating the performance of the Board.

The Board has established an Audit Risk and Compliance Committee ("ARCC") to assist and support the Board in the conduct of certain of its duties and responsibilities. The primary role of the ARCC is to assist the Board in verifying and safeguarding the integrity of the Company's financial reporting, and evaluating and improving the effectiveness of the control, risk management and governance processes. The terms of reference of the ARCC are contained in a separate Board-approved charter. The members of the ARCC are the two non-executive directors with full participation from the Company Secretary and the Company Actuary.

Various internal policies which form part of the Company's compliance framework also apply to Directors.

Product Care (NZ) Limited

Statement of comprehensive income

For the year ended 30 June 2014

In thousands of NZD	*Note*	2014	2013
Premium revenue	5	6,199	563
Outwards reinsurance premium expense	11	(3,661)	(330)
Premium		**2,538**	**233**
Claims expense	16	(4,167)	(374)
Reinsurance recoveries	5	2,373	216
Net Claims incurred		**(1,794)**	**(158)**
Underwriting expenses		(286)	(39)
Net underwriting expenses		**(2,080)**	**(197)**
Underwriting result		**458**	**36**
Operating expenses	6	(75)	(59)
Investment income	7	380	132
Profit before income tax expense		**763**	**109**
Income tax expense	8	(213)	(30)
Profit after income tax expense		**550**	**79**
Other comprehensive income		-	-
Total Comprehensive income for the year		**550**	**79**
Profit attributable to:			
Equity holders of the parent		550	79
Profit for the year		**550**	**79**
Total Comprehensive income attributable to:			
Equity holders of the parent		550	79
Total Comprehensive income		**550**	**79**

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The notes on pages 10 to 33 are an integral part of these financial statements.

Product Care (NZ) Limited

Statement of financial position

As at 30 June 2014

In thousands of NZD	*Note*	2014	2013
Current assets			
Cash and cash equivalents	9	1,527	6,634
Trade and other receivables	10	1,883	716
Deferred reinsurance expense	11	2,896	3,228
Reinsurance receivable	12	366	160
Investments	13	7,983	2,583
Income tax receivable	15	3	19
Total current assets		**14,658**	**13,340**
Non-current assets			
Deferred reinsurance expense	11	5,039	5,327
Total assets		**19,697**	**18,667**
Current liabilities			
Trade and other payables	14	970	373
Unearned premium liability	17	5,508	5,740
Total current liabilities		**6,478**	**6,113**
Non-current liabilities			
Unearned premium liability	17	9,585	9,470
Total liabilities		**16,063**	**15,583**
Net assets		**3,634**	**3,084**
Equity			
Issued capital	18	3,000	3,000
Retained earnings		634	84
Total equity		**3,634**	**3,084**

K P M G

Product Care (NZ) Limited

Statement of changes in equity

For the year ended 30 June 2014

In thousands of NZD	*Note*	Attributable to equity holders of the Company Share capital	Retained earnings	Total Equity
2014				
Balance at 1 July 2013	*18*	3,000	84	**3,084**
Total comprehensive income for the period				
Profit for the year		-	550	**550**
Total Comprehensive income		-	550	**550**
Dividends		-	-	-
Total transactions with owners recorded directly in equity		-	-	-
Balance at 30 June 2014		3,000	634	**3,634**

In thousands of NZD	*Note*	Attributable to equity holders of the Company Share capital	Retained earnings	Total Equity
2013				
Balance at 1 July 2012	*18*	3,000	5	**3,005**
Total comprehensive income for the period				
Profit for the year		-	79	**79**
Total Comprehensive income		-	79	**79**
Dividends		-	-	-
Total transactions with owners recorded directly in equity		-	-	-
Balance at 30 June 2013		3,000	84	**3,084**

KPMG

Product Care (NZ) Limited

Statement of cash flows

For the year ended 30 June 2014

In thousands of NZD	*Note*	2014	2013
Cash flows from operating activities			
Cash receipts from customers		6,057	-
Cash received from affiliate for underwriting risk transfer		-	6,629
Cash paid to suppliers		(5,947)	(453)
Cash generated from operations		110	6,176
Income taxes paid		(197)	(51)
Net cash flows from operating activities	9	**(87)**	**6,125**
Cash flows from investing activities			
(Increase)/decrease in investments		(5,400)	-
Interest income received		380	49
Net cash flows from investing activities		**(5,020)**	**49**
Net increase in cash and cash equivalents		**(5,107)**	**6,174**
Cash and cash equivalents at beginning of year		6,634	460
Cash and cash equivalents at 30 June	9	**1,527**	**6,634**

The notes on pages 10 to 33 are an integral part of these financial statements.

Product Care (NZ) Limited

Notes to the financial statements

For the year ended 30 June 2014

1. Reporting entity

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Product Care (NZ) Limited

Notes to the financial statements

For the year ended 30 June 2014

2. Basis of preparation (continued)

c) Functional and presentational currency

The financial statements are presented in New Zealand Dollars, which is the Company's functional currency. All financial information presented in New Zealand Dollar have been rounded to the nearest thousand dollars unless otherwise stated.

d) Use of estimates and judgements

The preparation of a financial report in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. See Note 4 for further information.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Classification of warranty contracts

Warranty contracts under which the Company accepts risk from another party (the policyholder) by agreeing to indemnify the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts and are therefore accounted for using insurance accounting principles. Insurance risk is risk other than financial risk.

b) Revenue

i) Premium revenue

Premium revenue from warranty underwriting business includes amounts charged to the policyholders, excluding amounts collected on behalf of third parties.

Premium revenue is recognised in the Statement of comprehensive income when it has been earned, that is, from the attachment date over the period of the contract in accordance with the pattern of incidence of risk. The pattern of incidence of risk is based on an estimation process which is regularly reviewed for each group of contracts subject to broadly similar risks and managed together as a single portfolio.

The proportion of premium received or receivable not earned in the Statement of comprehensive income at the reporting date is recognised in the Statement of financial position as an unearned premium liability.

ii) Reinsurance and other recoveries

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not yet reported, risk margins and unexpired risk liabilities are recognised as revenue.

3. **Significant accounting policies**

c) **Reinsurance and other recoveries (continued)**

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

iii) Investment income

Interest income is recognised in the Statement of comprehensive income when it accrues, using the effective interest method.

d) **Assets backing underwriting liabilities**

The assets backing warranty underwriting liabilities are those assets that, in the opinion of the directors would be required to cover the warranty underwriting liabilities plus an allowance for uncertainty.

Warranty underwriting liabilities are assessed by the directors utilising actuarial valuations and estimates to include liabilities for outstanding claims, unearned premium, the unexpired risk reserve plus a minimum capital base assessed by the directors (Notes 16 and 17).

Underwriting assets are detailed in the accounts and include:

- Cash on hand via banks with an AA- credit rating
- Term deposits via banks with an AA- credit rating
- Reinsurance assets through reinsurers with an AA- credit rating

e) **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less any impairment losses.

f) **Cash assets**

Cash and cash equivalents comprise cash balances and term deposits where the initial maturity is less than three months. Term deposits with an initial maturity of three months and more are classified as investments.

g) **Impairment**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

3. Significant accounting policies (continued)

h) Calculation of recoverable amount

The recoverable amount of the Company's receivables is carried at the present value of the future cash flows. Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

a. *Reversals of impairment*

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

b. *Derecognition of financial assets and liabilities*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of comprehensive income.

i) Share capital

Ordinary shares are classified as equity. Any dividends are recognised as a liability in the financial period in which they are declared.

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3. Significant accounting policies (continued)

j) Liability adequacy test

The liability adequacy test is an assessment of the carrying amount of the unearned premium liability and is conducted at each reporting date.

Provision is made for unexpired risks arising from warranty underwriting business where the expected present value of claims and expenses attributed to the unexpired periods of policies in force at the reporting date together with a risk margin ("premium liabilities") exceeds the unearned premium liability in relation to such policies at the reporting date after the deduction of any deferred acquisition costs. The premium liabilities are calculated separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio to achieve a probability of adequacy of 75%. Any deficiency arising from the test is recognised immediately in the Statement of comprehensive income firstly through the write down of any related intangible assets and then the related deferred acquisition costs, with any remaining balance being recognised on the Statement of financial position as an unexpired risk reserve.

The estimation of premium liabilities includes a number of key assumptions. The Company takes all reasonable steps to ensure it has appropriate information on which to base this estimate. However, given the uncertainty involved it is likely that the final outcome will differ from the original premium liabilities established.

k) Outstanding claims liability

The outstanding claims liability is the value of expected future payments relating to the claims incurred at reporting date. Expected future payments in relation to claims reported but not yet paid or are yet paid in full and claims incurred but not reported ("IBNR") at reporting date are provided for in the unearned premium liability, see Note 4(i).

The gross claims expense in the Statement of comprehensive income comprises the claims paid and the change in the liability for outstanding claims.

l) Reinsurance and other recoveries

Reinsurance and other recoveries received or receivable on paid claims are recognised as income. Recoveries receivable on paid claims are presented net of any provision for impairment based on objective evidence for individual receivables. All recoveries receivable on paid claims are measured as the present value of the expected future receipts. Reinsurance does not relieve the originating insurer of its liabilities to policyholders and is presented separately on the Statement of financial position.

m) Provisions

A provision is recognised in the Statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

3. Significant accounting policies (continued)

o) Outwards reinsurance premium expense

Premium ceded to reinsurers is recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the pattern of incidence of risk ceded on basis consistent with the treatment of premium revenue. Accordingly a proportion of outwards reinsurance premium is treated as prepaid and disclosed as deferred reinsurance expense in the Statement of financial position.

p) Income tax

Income tax on the profit or loss for the financial period comprises current and deferred tax. Income tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous financial periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as a current asset or liability in the Statement of financial position.

r) Subvention Payments

The Company is a subsidiary of ICF Holdings (NZ) Ltd. In order to minimise tax obligations, profit making companies that form a part of this group, transfer profits to loss making companies via subvention payments. These payments are reported as either "other operating expense" or "other income".

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3. Significant accounting policies (continued)

s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. Those which may be relevant for the Company are set out below. The Company does not plan to adopt these standards early.

NZ IFRS 9 *Financial Instruments* (2010), NZ IFRS 9 *Financial Instruments* (2009)

NZ IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under NZ IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. NZ IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of NZ IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

NZ IFRS 9 (2010 and (2009) are effective for annual periods beginning on or after 1 January 2015.

4. Summary of significant actuarial methods and assumptions

The effective date of the actuarial valuation of liabilities is 30 June 2014. The liability valuation is documented in a report prepared by Mr Andrew Scott FIAA, FNZSA is the Appointed Actuary for the Company. Mr Scott is a full time employee of the ICF Group and has no other financial interest or dealings with the Company. The Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the premium liabilities. The key assumptions used in the compilations of the reserves as at 30 June 2014 have been outlined in Note 17.

The premium liabilities disclosed for the Company have been calculated in accordance with the requirements of NZ IFRS 4 *Insurance Contracts* and consistent with the New Zealand Society of Actuaries Professional Standard No.4.1 *"Valuation of General Insurance Claims"*.

Section 77(1) of the Insurance (Prudential Supervision) Act 2010 requires the Appointed Actuary to review the actuarial information contained in, or used in the preparation of, the financial statements. The Appointed Actuary is satisfied that he has obtained all of the information and explanations required. He is satisfied that the actuarial information has been used appropriately in the preparation of the financial statements and included appropriately in the financial statements.

In addition, the Company's board and the ARCC receives a Financial Condition Report ("FCR") annually from the Appointed Actuary in accordance with the Insurance (Prudential Supervision) Act 2010. The purpose of the FCR is to provide the Appointed Actuary's objective assessment of the Company's overall financial condition. It considers, among other things, the material risks facing the Company that, in the Appointed Actuary's opinion, pose a threat to its ability to remain financially solvent now and in the future.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

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4. Summary of significant actuarial methods and assumptions (continued)

(i) Unearned premium liability and unexpired risk reserve

In accordance with the recognition of premium revenue (see accounting policy 3 b(i)) the consequent unearned premium liability at the end of the year is based upon the expected future pattern of incidence of risk in relation to warranty contracts. This pattern is based on an estimation process which is regularly reviewed for each group of contracts subject to broadly similar risks and managed together as a single portfolio. It includes an element for expected future payments relating to the claims incurred at the report date. Expected future payments include those in relation to claims reported but not yet paid or are not yet paid in full, claims incurred but not reported ("IBNR").

In calculating the estimated pattern of incidence of risk the Company uses a variety of estimation techniques, generally based upon statistical analyses of the Company and industry experience that assumes that the development pattern of current claims will be consistent with past experience as appropriate.

In undertaking the liability adequacy test to assess the carrying amount of the unearned premium liability allowance is made through the application of a risk margin for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of future claims to increase or reduce when compared with the cost of previously settled claims.

Analysis of the unearned premium liability is provided in Note 17 together with the application of the Liability Adequacy Test including the unexpired risk reserve. The estimation of premium liability includes a number of key assumptions. The Company takes all reasonable steps to ensure it has appropriate information on which to base this estimate. However, given the uncertainty involved it is likely that the final outcome will differ from the original claims liability established.

The level of uncertainty around the eventual cost of claims relating to the unexpired portion of policies is significant given both the extended time period over which the claims may be reported (up to 7 years from the date of purchase of the underlying service plan/extended warranty arrangement) and the potential change in the underlying assumptions as set out in Note 17.

(i) Deferred reinsurance expense

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

5. Revenue

In thousands of NZD	**2014**	**2013**
Gross written premium	6,082	519
Movement in unearned premium	117	44
Premium revenue	6,199	563
Reinsurance recoveries income	2,373	216
Underwriting revenue	8,572	779

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6. Operating expenses

In thousands of NZD		2014	2013
Operating expenses			
Audit fees	*24*	45	12
Other professional and consulting fees		30	47
		75	59

7. Interest income

In thousands of NZD	2014	2013
Interest income	380	132
	380	132

8. Income tax expense

Recognised in the Statement of comprehensive income

In thousands of NZD	2014	2013
Current tax expense		
Current year	213	30
Total income tax expense in Statement of comprehensive income	213	30

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of NZD	2014	2013
Profit before tax	763	109
Income tax using the domestic corporation tax rate of 28%	213	30

Imputation credit account

The Company is a member of a tax consolidated Group.

The imputation balance as 30 June 2014 available to the Group is $5,971,596 (2013: $3,507,342).

9. Cash and cash equivalents

In thousands of NZD	2014	2013
Bank balances	1,527	6,634
	1,527	6,634

Reconciliation of cash flows from operating activities

In thousands of NZD	Note	2014	2013
Cash flows from operating activities			
Profit for the period		550	79
Adjustments for:			
Investment income	7	(380)	(132)
Income tax expense	8	213	30
Operating profit/(loss) before changes in working capital and provisions		383	(23)
(Increase)/decrease in reinsurance recoveries	12	(206)	(160)
(Increase)/decrease in trade and other receivables	10	(1,167)	(662)
(Increase)/decrease in deferred reinsurance expenses	11	620	79
(Decrease)/increase in trade and other payables		597	366
Transfer in of deferred reinsurance from affiliate	11	-	(8,634)
Transfer in of underwriting liabilities from affiliate	17	-	15,370
(Decrease)/Increase in underwriting liabilities	17	(117)	(160)
		110	6,176
Income taxes paid		(197)	(51)
Net cash from operating activities		(87)	6,125

10. Trade and other receivables

In thousands of NZD	2014	2013
Current		
Trade receivables due from related parties	769	0
Other trade receivables	1,114	716
	1,883	716

11. Deferred reinsurance expense

In thousands of NZD	2014	2013
Current	2,896	3,228
Non-current	5,039	5,327
	7,935	8,555
Opening balance	8,555	-
Reinsurance premiums incurred in the year	3,041	251
Reinsurance transferred from affiliate	-	8,634
Reinsurance premiums expensed in the year	(3,661)	(330)
Balance as at 30 June 2014	7,935	8,555

On 1 June 2013, the Company acquired the New Zealand domiciled risks from SPWS, a related party at ongoing value.

12. Reinsurance receivables

In thousands of NZD	2014	2013
Current		
Recoveries on claims paid	366	160

13. Investments

In thousands of NZD	2014	2013
Term deposits	7,983	2,583

14. Trade and other payables

In thousands of NZD	2014	2013
Payables due to related parties	61	9
Other trade payables including reinsurance premiums payable	909	364
	970	373

15. Income tax receivable

In thousands of NZD	2014	2013
Income tax receivable	3	19
	3	19

The current tax receivable for the Company represents the difference of tax payments versus the estimated balance payable to the Inland Revenue Department.

Product Care (NZ) Limited

Notes to the financial statements

For the year ended 30 June 2014

16. Outstanding claims liability

In thousands of NZD	2014	2013
Current		
Reconciliation of movement in claims liability:		
Balance at the beginning of the year	-	-
Claims incurred in the current year	4,167	374
Reinsurance and other recoveries in the current year	(2,373)	(216)
Claims costs paid (net of reinsurance)	(1,794)	(158)
Balance at end of year	-	-
Reinsurance and other recoveries receivable	(366)	(160)
Net outstanding claims liability at the end of the year	(366)	(160)

Whilst periods of indemnity range from 1 to 5 years, claims settlement periods are typically less than six months after being reported. Consequently, the determination of the outstanding claims liability is less complex, and of less relative importance than consideration of the adequacy of the unearned premium liability, when considering the liability adequacy test. For this reason no risk margin is adopted in the determination of the outstanding claims liability.

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17. Unearned premium liability

In thousands of NZD	2014	2013
Current	5,508	5,740
Non-current	9,585	9,470
	15,093	15,210
Reconciliation of movement in unearned premium liability		
Opening balance	15,210	-
Transfer from related party	-	15,370
Written premium in the period	6,082	519
Premium earned during the year	(6,199)	(563)
NZ Marine adjustment	-	(116)
	15,093	15,210

On 1 June 2013, the Company acquired the New Zealand domiciled risks from SPWS, a related party at ongoing value. Included in this is $145,000 (2013: $145,000) related to a single marine risk reserved at maximum exposure expiring with 18 months.

Liability Adequacy Test: Process

The adequacy of the Unearned Premium Liability (UPL) is assessed by determining the central estimate of expected future cash flows in respect of claims associated with unexpired risks together with a risk margin to reflect the inherent uncertainty in the estimate and then comparing this amount to the unearned premium liability.

The assumptions used within these accounts were derived as at 30 June 2014.

A number of actuarial methods have been applied to project future claim payments in order to establish the central estimates and risk margin. These methods assist in providing a greater understanding of the trends inherent in past data. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the warranty category and the availability of historic loss development data.

The principal method adopted uses a combination of claim severity (average claims size) and claim frequency (the expected number of claims per underlying risk exposure) to determine the expected future costs.

The following assumptions have been made in assessing adequacy of the unearned premium liability and unexpired risk reserve:

(i) Assumptions

	30 June 2014	30 June 2013
Weighted average term to recognition (years)	1.68	1.54
Discounted mean term (years)	1.56	1.48
Indirect expense ratio	1.0%	1.0%
Risk margin	15.9%	13.4%
Claims inflation	4.0%	4.0%
Average claim size	$355	$337
Claim frequency	6.6% - 6.9%	7.9%
Discount rate	3.69%	2.47%

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17. Unearned premium liability (continued)

Liability Adequacy Test: Process (continued)

(ii) Processes used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

Assumption	Processes used to determine assumption
Average claim size	Average claim size is determined by reference to the last 12 months observed historical data, and is calculated across all claims settled. It reflects the existing mix of risk exposure to underlying products.
Claim frequency	Claim frequency is determined by applying frequency curves derived from historical loss frequency data. The assumed curve was tested on the 3 most recent years of reported losses across all durations.
Claims inflation	The claims inflation is based on recently observed trends, adjusted to take account of short-term fluctuations and with reference to RBNZ forecasts and relevant Statistics NZ benchmarks.
Weighted average term to settlement	Calculated separately by warranty category based on historic settlement patterns
Indirect expense ratio	The future claims handling expense ratios were calculated with reference to projected internal management costs to be met by the Company as a percentage of unearned premium liabilities.
Risk margin	The risk margin was based on a statistical analysis undertaken by the internal actuary. The result reflects the volatility of past claims experience.
Discount rate	The discount rate for all liabilities has been determined based on the yield curve on Sovereign Government Bonds in New Zealand.
Discounted mean term (years)	Weighted average term to settlement discounted by discount rate.

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17. Unearned premium liability (continued)

Liability Adequacy Test: Process (continued)

(iii) Sensitivity analysis and estimation uncertainty

The underwriting business conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying assumptions. The deviation of any variable from the assumptions will impact the financial performance and equity (net assets or liabilities) of the Company. Sensitivity analysis is conducted on certain key variables, whilst holding all other variables constant. It should be noted that the ranges used for the sensitivity analysis that follows do not necessarily represent the final outcome that may eventuate. The following tables and the analysis describe how a change in each assumption will affect the insurance liabilities.

Because of the nature of the Company underwriting business, increases and decreases in assumptions have a significant impact on the pattern and incidence of risk, which influences the amount of recognised premium revenue, and adequacy of the unearned premium liability and/or unexpired risk reserve.

Variable	Impact of movement in variable
Average claim size	An increase in the average claim size would increase the future expected claim costs resulting in an increase in the required unexpired risk reserve.
Claim Frequency	An increase in the underlying claim frequency would increase the future expected claim costs resulting in an increase in the required unexpired risk reserve.
Weighted average term to settlement	A decrease in the average term to settlement would imply that claims are being paid sooner than expected. Expected payment patterns are used in determining the unearned premium liability and unexpired risk reserve. An increase or decrease in the weighted average term would have a corresponding decrease or increase on claims expense and premium revenue recognition patterns.
Economic and superimposed inflation (Loss trend)	Expected future payments for all significant classes are explicitly inflated. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding impact on claims expense and premium revenue recognition patterns.
Discount rate	The unearned premium liability is calculated with reference to the timing of expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will decrease or increase (i.e. an opposite) impact on the overall premium liabilities.

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17. Unearned premium liability (continued)

Liability Adequacy Test: Process (continued)

(iii) Sensitivity analysis and estimation uncertainty (continued)

Variable	Impact of movement in variable
Indirect expense ratio	An increase or decrease in the indirect expense rate assumption would have a corresponding impact on indirect expenses and premium revenue recognition patterns.
Discounted mean term (years)	A decrease in the discounted mean term would imply that claims are being paid sooner than expected. Expected payment patterns are used in determining the unearned premium liability and unexpired risk reserve. An increase or decrease in the discounted mean term would have a corresponding decrease or increase on claims expense and premium revenue recognition patterns.
Risk margin	The premium liability includes a risk margin to allow for the inherent uncertainty in the estimates of future claims cost as the basis of "fair value" accounting. An increase or decrease in the percentage risk margin will have a corresponding increase or decrease in the overall premium liability and unexpired risk reserve.

The table below summarises the sensitivity of the premium liabilities calculation for the purpose of the Liability Adequacy Test.

	Movement in variable	**Net premium liabilities (central estimate) increase/(decrease) $000's (Note A)**	
In thousands of NZD		**2014**	**2013**
Unearned premium liabilities (net of deferred reinsurance expense)		7,158	6,655
Claim Severity	+NZD$20	379	382
	-NZD$20	(379)	(382)
Claim Frequency	0.5%	522	323
	-0.5%	(519)	(320)
Inflation rate	+1%	133	114
	-1%	(131)	(112)
Discount rate	+1%	(106)	(81)
	-1%	110	76
Indirect expense ratio	+1%	59	58
	-1%	(59)	(58)
Risk margin	+1%	59	58
	-1%	(59)	(58)
Discounted mean term	+1%	59	58
	-1%	(59)	(58)

Note A: This change would have an equivalent effect on net profit/loss before tax and shareholder's equity (net of tax effect)

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17. Unearned premium liability (continued)

Liability Adequacy Test: Process (continued)

(iv) Liability adequacy test

The liability adequacy test identified a surplus as at 30 June 2014. For the purposes of the test, the present value of expected future cash flows for future claims, net of reinsurance recoveries, including the risk margin for the Company is $6,909,000 (2013: $6,474,000), comprising the central estimate of $5,968,000 (2013: $5,715,000) and a risk margin of $941,000 (2013: $759,000). This is intended to achieve a probability of adequacy of 75% (2013: 75%). The Risk Margin was determined from a statistical analysis of the historic loss experience as undertaken by the Appointed Actuary.

(v) Concentration of insurance risk

The Company writes warranty contracts predominantly covering retail electrical products. The portfolio is spread across a diversified range of manufacturers.

Regular reviews are undertaken to monitor the accumulation exposure to any particular product and/or manufacturer. Quota share reinsurance has been purchased to share the accumulated exposure in accordance with commercially available terms.

On 1 June 2013, the Company acquired the New Zealand portfolio including the cash transfer of underwriting assets and liabilities covering New Zealand domiciled risks, from its related entity, SPWS. The New Zealand insurance business was transferred from SPWS to the Company who assumed all obligations for these New Zealand domiciled risks.

The underwriting business seeks to consistently re-insure its risk. The reinsurance recovery rates applying to claims incurred moving forward are as follows:

Treaty Year	Effective Dates	Reinsurer	Rate	Reinsurer	Rate	Total
2005	1/4/2005 – 31/3/2006	Munich Re	30%			30%
2006	1/4/2006 – 31/3/2007	Munich Re	30%			30%
2007	1/4/2007 – 30/6/2008	Munich Re	50%			50%
2008	1/7/2008 – 31/3/2009	Munich Re	20%	Hannover Re	30%	50%
2009	1/4/2009 – 31/3/2010	Munich Re	20%	Hannover Re	40%	60%
2010	1/4/2010 – 31/3/2011	Munich Re	20%	Hannover Re	40%	60%
2011	1/4/2011 – 31/3/2012	Hannover Re	60%			60%
2012	1/4/2012 – 31/3/2013	Hannover Re	50%			50%
2013	1/4/2013 – 31/3/2014	Hannover Re	50%			50%
2014	1/4/2014 – 31/3/2015	Hannover Re	50%			50%

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18. Equity

Share capital

In thousands

	2014	2013
Issued for cash (number of shares)	3,000	3,000
On issue at 30 June 2014	3,000	3,000

Issued at NZ$1 per share.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

The Company, in relation to its capital adequacy, meets all requirements as specified by the Reserve Bank of New Zealand.

Capital Management

The capital management strategy of the Company is to optimise shareholder value by managing the level, mix and use of capital resources. The main objectives are to ensure sufficient capital resources to maintain the business and operational requirements, retain sufficient capital to exceed externally imposed capital requirements, and ensure the entity's ability to continue as a going concern. The Company's capital policy is to hold all surplus capital in bank deposits with bank credit ratings of a minimum of AA.

The Company's capital includes contributed equity on the statement of financial position of $3,000,000 (2013: $3,000,000).

The Company is required to hold a minimum of $3,000,000 in capital and to comply fully with the Reserve Bank of New Zealand ("RBNZ") regulatory compliance for an insurer covering New Zealand domiciled risks. This capital requirement has been complied with and as at 30 June 2014 the solvency margin was $633,788 (2013: $84,000).

There were no changes in the Company's approach to capital management during the year.

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18. Equity (continued)

The Company satisfied all externally imposed capital requirements which they were subject to during the twelve months to 30 June 2014.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the Solvency Standard for Non-Life Insurance Business issued October 2011 (incorporating amendments to May 2012 by the RBNZ).

The Company's Audit and Risk Committee oversees the computations and capital solvency is carefully monitored against the Company's capital management plan. In addition, the Company manages the required level of capital through maintaining a minimal risk investment strategy and maintaining a strong reinsurance quota share.

The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used is total equity attributable to owners. Total equity attributable to owners equates to "capital" as the defined in the solvency standard and shown below.

Regulatory capital is made up of two components, actual solvency capital and minimum solvency capital, with the difference representing the solvency margin. The calculation of the solvency margin for the Company is detailed below

Summary of Solvency position

In thousands of NZD

	2014	2013
Balance Sheet capital	3,634	3,084
Deductions	-	-
Actual solvency Capital	3,634	3,084
Risk Based Charges		
Insurance Risk	1,105	1,047
Catastrophe Risk	304	304
Reinsurance Recoveries Risk	166	174
Asset Risk	232	106
Interest Rate Risk	67	190
Minimum Solvency Capital	1,874	1,821
Minimum Capital Requirement	3,000	3,000
Solvency Margin	634	84
Solvency Ratio	1.21	1.03

19. Financial instruments & risk management

A. Financial Risk Management

The activities of the Company expose it to the following financial risks:
- Credit risk
- Liquidity risk
- Operational risk
- Market risk (include currency risk, cash flow and fair value interest rate risk)

The Company has developed, implemented and maintains Investment and Capital Management Strategies to minimise potential adverse impacts upon the financial performance of the Company arising from financial market volatility.

The key objective of the Company's asset and liability management strategy is to ensure sufficient liquidity is maintained at all times to meet the Company's obligations, including its settlement of insurance liabilities.

Credit Risk
Credit risk relates to the possibility of default by transactional counterparties as well as the loss of value of assets due to the deterioration in credit quality. The Company's credit risk arises predominantly from investments, policyholder premium debtors and reinsurance recoveries.

Trade and other receivables
The credit risk exposure of the Company is non-repayment of the carrying amounts of the financial assets. For underwriting and warranty services there are two large debtors of $900,000 (2013: $597,000) due from an external party and $769,000 (2013: $0) due from a related party. Payment terms are set at 20 days and the insurance component would not become payable if external party failed to pay. Accordingly, there is a low credit risk on these debtors.

Reinsurance Recoveries
The credit risk exposure on reinsurance recoveries is reduced by only dealing with AA- rated reinsurers as rated by Standard & Poor's or Moody's.

Investments and cash
The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least AA- from Standard & Poor's or Moody's equivalent. The majority of the investments are rated AA-. There is no significant concentration of credit risk and management does not expect any counterparty to fail to meet its obligations.

Trade and other receivable Ageing

In thousands of NZD	0 to 30 Days	31-60 Days	61-90 Days	91+ Days	Total
2014					
Trade receivables	983	900	-	-	1,883
Reinsurance recoveries	-	366	-	-	366
Total Trade Receivables	983	1,266	-	-	2,219
2013					
Trade receivables	119	597	-	-	716
Reinsurance recoveries	-	160	-	-	160
Total Trade Receivables	119	757	-	-	876

Based on the aging shown above and allowing for cash received after reporting date, no impairment was required against trade and other receivable balances.

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19. Financial instruments & risk management (continued)

A. Financial Risk Management (continued)

Credit Exposures

The table below provides information regarding the credit risk exposure of the Company by classifying investments according to Standard and Poor's credit ratings of the counterparties. Trade and other receivables are not rated because of their short term nature and the lack of any singularly material debtors. AAA is the highest possible rating. As at 30 June 2014 the Company did not hold any rated financial assets with a Standard and Poor's credit rating below AA-.

2014 *In thousands of NZD*	**AA- to AAA rated**	**Not rated**	**Total**
Financial Assets			
Cash and cash equivalents	1,527	-	1,527
Investments	7,983	-	7,983
Deferred reinsurance	7,935	-	7,935
Reinsurance recoveries	366	-	366
Trade and other receivables	214	1,669	1,883
	18,025	1,669	19,694

2013 In thousands of NZD	**AA- to AAA rated**	**Not rated**	**Total**
Financial Assets			
Cash and cash equivalents	6,634	-	6,634
Investments	2,583	-	2,583
Deferred reinsurance	8,555	-	8,555
Reinsurance recoveries	160	-	160
Trade and other receivables	-	716	716
	17,932	716	18,648

19. Financial instruments and risk management (continued)

A. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management of liquidity risk includes asset and liability management strategies. The assets held to back insurance liabilities consist predominantly of cash deposits. The assets are managed so as to principally match the maturity profile of the assets with the expected pattern of claims payments or liability settlements. The cash deposits are restricted to banking institutions with a credit rating of at least AA-.

Maturity Profiles

The table in below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations, except for insurance contracts, when maturity profiles are determined on the discounted estimated timing of net cash outflows. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Maturity Periods In Years				
In thousands of NZD	**1**	**2-3**	**4-5**	**6-10**	**Total**
2014					
Financial Liabilities					
Trade and other payables	(970)	-	-	-	(970)
Unearned premium liability	(5,508)	(7,589)	(1,842)	(154)	(15,093)
	(6,478)	(7,589)	(1,842)	(154)	(16,063)

	Maturity Periods In Years				
In thousands of NZD	**1**	**2-3**	**4-5**	**6-10**	**Total**
2013					
Financial Liabilities					
Trade and other payables	(373)	-	-	-	(373)
Unearned premium liability	(5,740)	(7,800)	(1,570)	(100)	(15,210)
	(6,113)	(7,800)	(1,570)	(100)	(15,583)

Market Risk

Market risk is the risk that changes in security market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. The Company has no material exposure to market revaluation of financial instruments.

19. Financial instruments and risk management (continued)

A. Financial Risk Management (continued)

Cash flow sensitivity analysis for interest rate risk
The Company had no exposure to interest rate risk from derivative products during the year.

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

The impact of a 1% uplift or reduction in market interest rates would impact pre-tax profit as follows:

In thousands of NZD		**Movement in market interest rates**	
		Minus 1.0%	**Plus 1.0%**
Pre-tax impact on profit	2014	(95)	92
Pre-tax impact on profit	2013	(92)	92

B. Risk management objectives and policies for mitigating insurance risks

(i) Objectives

The Company's objectives and policies in respect of managing insurance risks are:

- Understanding insurance risk so as to ensure that pricing and claims management reduce any risk of loss.
- Measuring the frequency and severity of possible insurance risk loss events.
- Treating insurance risk with controls designed to assure that any changes in trends or loss patterns are identified at the earliest time via rigorous analysis of detailed monthly claim and loss ratio data.
- Protecting the Company by holding at least 50% reinsurance with AA- rated reinsurers.

(ii) Concentrations of insurance risk

Please refer to Note 17 (v)

(iii) Exposure to risk

The Company actively manages its exposure to risks by applying prudent underwriting controls to insured proceeds.

The Company manages claims in order to mitigate insurance risk primarily through:

- Detailed monthly management reporting on claims costs which may identify a need for changes to pricing or claim management processes
- Detailed analysis of claims cost by manufacturer, model and fault type to identify at the earliest time any recurrent problem that maybe recoupable from manufacturers or require discontinuation of future warranty sales for that particular product
- Monthly actuarial reporting of all loss ratio including analysis of frequency and severity which may identify a need for changes to pricing or claim management processes.

20. Operating leases

As at 30 June 2014 there were no operating lease commitments.

21. Capital and other commitments

As at 30 June 2014 there were no material capital expenditure commitments.

22. Contingencies

As at 30 June 2014 there were no contingencies.

23. Related parties

ICF (NZ) Limited, a related entity, receives all written premiums of $6,082,926 (2013: $519,316) on behalf of the Company and subsequently transfers these monies to the Company. Market related terms of payment exist and, at the Statement of financial position date, the Company was owed $768,855 (2013: $597,213) by ICF (NZ) Limited (Note 10).

The Company paid a related entity, ICF (NZ) Limited for managerial services during the year ended 30 June 2014 the amount of $24,000 (2013: $0).

The Company paid a related entity, SPWS for finance and actuarial services during the year ended 30 June 2014 the amount of $184,800 (2013: $20,702).

24. Auditor's remuneration

In NZD	**2014**	**2013**
Audit services		
Auditors of the Company: KPMG		
Statutory financial statements audit	40,799	11,861
	40,799	11,861
Other services		
Auditors of the Company: KPMG		
Other assurance service	4,500	-

25. Subsequent events

There has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial periods.

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Independent auditor's report

To the shareholder of Product Care (NZ) Limited

Report on the financial statements

We have audited the accompanying financial statements of Product Care (NZ) Limited ("the company") on pages 6 to 33. The financial statements comprise the statement of financial position as at 30 June 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

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

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

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

Our firm has also provided other services to the company in relation to regulatory engagements. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

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Opinion

In our opinion the financial statements on pages 6 to 33:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 30 June 2014 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Product Care (NZ) Limited as far as appears from our examination of those records.

KPMG

20 October 2014
Auckland