Pacific International Insurance Pty Limited

Annual Financial Statements

30 June 2016

Pacific International Insurance Pty Limited
For the year ended 30 June 2016
Directors' Report

The Directors of Pacific International Insurance Pty Limited submit herewith the annual report of the company for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors in office for the whole of the financial year and since the end of the financial year are as follows:

Mr Stephen John Stuart Garrett
Mr Murray David Healey
Mr Graham John Hellier
Mrs Marilyn Clare Hellier
Mr Roger Walter Robert Shoesmith
Mr Guy Nicholas Hurst Smith
Mr Robert William Urry

Review of operations

The Directors are pleased to report that the company has made a profit before taxation of $404,312 (2015:$1,224,769). The profit after taxation is $211,624 (2015: $613,678).

Changes in state of affairs

There has been no material change to the business of the company.

Principal Activities

The principal activities during the year were the sale of liability and professional indemnity insurance to the pest control industry in Australia and New Zealand. The company is continuing with training courses to the New Zealand pest control industry.

No significant change in the nature of these activities occurred during the year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operation of the company, the results of the company, or the operations of the company in future years.

Likely developments and expected results of operations

Likely developments in the company's operations and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant regulation under a law of the Commonwealth or of a state or territory.

Dividends

During the year the directors approved the payment of dividends totalling $613,678.

The Directors are not proposing any further and final dividends with respect to the year ended 30 June 2016.

Shares under option or issued on exercise of options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares or interests in the company have been issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of officers and auditors

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been anofficer or auditor of the consolidated group.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the consolidated group for all or any of those proceedings.

The company was not party to any such proceedings during the year.

Auditors Independence Declaration

A copy of the auditors independence declaration as required under s. 307C of the *Corporations Act 2001* is attached to these accounts.

The directors' report is signed in accordance with a resolution of the Board of Directors made pursuant to s. 298(2) of the *Corporations Act 2001:*

On behalf of the Directors,

G J Hellier
Director

Newcastle, Australia

S J S Garrett
Director

Newcastle, Australia

Pacific International Insurance Pty Limited
For the year ended 30 June 2016
Annual Declaration

The Directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(b) in the directors' opinion, the attached financial statements are in compliance with Australian Accounting Standards as noted in note 1.1 to the financial statements.

(c) in the directors' opinion the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

Signed in accordance with a resolution of the directors made in pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors,

G J Hellier
Director

Newcastle, Australia

S J S Garrett
Director

Newcastle, Australia

Pacific International Insurance Pty Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	2016	2015
Revenue			
Premium revenue	5	6,270,469	6,445,741
Less: Outwards reinsurance expense		(604,454)	(633,590)
Net premium revenue		**5,666,015**	**5,812,151**
Interest income	8	446,001	580,579
Other income	13	280,247	320,904
Operating revenue before net fair value gains on investments		**726,248**	**901,483**
Net operating revenue		**6,392,263**	**6,713,634**
Expenses			
Claims expense	7	2,361,945	1,570,853
Net claims expense		**2,361,945**	**1,570,853**
Policy acquisition expenses	14	1,919,851	2,056,184
Underwriting and other expenses	6	1,724,636	1,659,251
Foreign exchange loss/(gain)		(18,481)	202,577
Total expenses		**5,987,951**	**5,488,865**
Profit before income taxation		**404,312**	**1,224,769**
Income taxation expense/(credit)	9	192,688	611,091
Profit after income taxation		**211,624**	**613,678**
Total comprehensive income for the year, net of tax		**211,624**	**613,678**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Pacific International Insurance Pty Limited
Statement of Financial Position
As At 30 June 2016

	Note	2016	2015
Assets			
Cash and cash equivalents	16	600,829	3,223,299
Investments	17	16,852,501	14,967,653
Investments income receivables	18	84,379	43,916
Trade and other receivables	15	796,453	134,135
Related party receivables	28	1,074,324	1,155,029
Deferred acquisition costs	14	999,280	970,582
Property, plant and equipment	11	53,816	33,169
Intangible assets	12	13,600	18,133
Deferred tax assets	10	54,936	73,407
Total assets		**20,530,118**	**20,619,323**
Liabilities			
Trade and other payables	20	212,147	247,901
Related party payables	28	156,414	215,143
Income tax payables	9	123,749	375,123
Unearned premium reserve	23	3,402,846	3,292,769
Outstanding claims liability	22	3,798,557	3,249,928
Total liabilities		**7,693,713**	**7,380,864**
Net assets		**12,836,405**	**13,238,459**
Equity			
Share capital	19	11,917,220	11,917,220
Retained earnings		919,185	1,321,239
Total equity		**12,836,405**	**13,238,459**

The above statement of financial position should be read in conjunction with the accompanying notes.

Pacific International Insurance Pty Limited
Statement of Changes in Equity
For the year ended 30 June 2016

	Share Capital	Retained Earnings	Total Equity
Balance at 1 July 2014	8,611,812	8,629,820	17,241,632
Increase in Share capital	3,377,535	-	3,377,535
Share buy back	(72,127)	(1,433,134)	(1,505,261)
Profit for the year	-	613,678	613,678
Dividend payments	-	(6,489,125)	(6,489,125)
Balance at 30 June 2015	**11,917,220**	**1,321,239**	**13,238,459**
Balance at 1 July 2015	11,917,220	1,321,239	13,238,459
Profit for the year	-	211,624	211,624
Dividend payments	-	(613,678)	(613,678)
Balance at 30 June 2016	**11,917,220**	**919,185**	**12,836,405**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Pacific International Insurance Pty Limited
Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016	2015
Cash flows from Operating Activities			
Premiums received		5,578,779	6,250,476
Interest received		405,538	665,598
Other income		-	47,710
Claims payments		(1,805,947)	(3,098,890)
Reinsurance expenses		(604,454)	(647,100)
Commissions paid		(1,891,155)	(1,950,576)
Payments to suppliers and employees		(1,400,999)	(1,896,908)
Taxation Recovered/(Paid)		(374,049)	53,686
Net cash used in operating activities	30	**(92,287)**	**(576,004)**
Cash flows from investing activities			
Maturity of New Zealand Government Stock Investment		-	491,200
Movement in investments - term deposits		(1,884,849)	3,058,658
Net receipts for the sale/purchase of property plant and equipment and intangible assets		(50,137)	-
Net cash (used in)/generated by investing activities		**(1,934,986)**	**3,549,858**
Cash flows to financing activities			
Repayments from and Loans to shareholders		-	3,200
Advances to Rapid Group companies		-	(84,907)
Dividend payments to shareholders		(613,678)	(2,066,867)
Repurchase of shares from shareholders		-	(697,393)
Net cash used in financing activities		**(613,678)**	**(2,845,967)**
Net (decrease)/increase in cash and cash equivalents		**(2,640,951)**	**127,887**
Cash and cash equivalents at the beginning of the year		3,223,299	3,316,131
Impact of foreign exchange movements		18,481	(220,719)
Cash and cash equivalents at the end of the year		**600,829**	**3,223,299**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements **Page**

Pacific International Insurance Pty Limited
Notes to the financial statements
For the year ended 30 June 2016

1. General Information

Pacific International Insurance Pty Limited is a company incorporated and domiciled in Australia.

The Company's principal activity is to provide indemnity, liability and warranty insurance to the pest and weed control industry in Australia and New Zealand. The company's registered office in Australia is Suite 1/5 Pavilion Place, Cardiff NSW 2285.

The financial statements of the Company are for the year ended 30 June 2016 and include the activities of the New Zealand Branch. The financial statements were authorised for issue by the Directors on the 28th October 2016

1.1 Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, interpretations of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 and International Financial Reporting Standards as issued by the International Accounting Standards Board. Pacific International Insurance Pty Limited is a for-profit entity.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and comparative information presented in these financial statements for the year ended 30 June 2015.

1.2 Basis of measurement

The financial statements have been prepared on the historical costs basis. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

1.3 Presentation currency

These financial statements are presented in Australian dollars rounded to the nearest dollar. The Company's functional currency is Australian Dollars as the primary economic environment in which the Company operates is Australia.

2. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

2.1 Foreign currency transactions

Transactions in foreign currency transactions that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the balance date, are translated to Australian Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation, when settled subsequent to balance date, are recognised in the statement of profit or loss and other comprehensive income.

2.2 Goods and Services Tax

All balances are presented net of goods and services tax (GST), except for receivables and payable which are presented inclusive of GST.

2.3 Revenue

Premium Revenue

Direct premium revenue comprises amounts charged to policyholders. The earned portion of premiums receivable, including unclosed business, is recognised as income. Premium is earned from the date of attachment of the risk, over the contract period based on the pattern of the risks underwritten.

2.4 Reinsurance

Amounts paid to reinsurers are recorded as a reinsurance expense and are recognised in the statement profit or loss and other comprehensive income.

2. Significant Accounting Policies, continued

2.5 Expenses

Claims Expense

Claims expense represents payments made on claims and the movement in the outstanding claims liability as described in note 2.14.

Operating lease payments

Payments made under operating leases, including any lease incentives, are recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease.

Finance income and expenses

Finance income comprises interest income and foreign currency gains. Interest income is recognised as it is accrued, using the effective interest rate method. Finance expenses comprise interest income on bank borrowings, unwinding of the discount on provisions and foreign currency losses.

Acquisition costs

Acquisition costs (which include commission expense) are the costs associated with obtaining and recording insurance contracts. Acquisition costs are capitalised when they relate to the acquisition of new business or the renewal of existing business and are amortised on the same basis as the earning pattern of the premium, over the period of the insurance contract to which they relate.

2.6 Income tax and Deferred tax

The income tax expense or benefit for the year is the taxation payable on the current year's taxable income adjusted for any non-deductible items on assessable taxable income. The income tax expense or benefit also includes changes in deferred tax assets or liabilities.

Deferred income tax is provided in full and is recognised on temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements. Following the move to Australia, the deferred tax asset/liability has been measured at Australian tax rates and not New Zealand tax rates to the extent that reversals will occur in Australia and not New Zealand. For those reversals that will occur in New Zealand they have been measured at New Zealand taxation rates.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Current and deferred income tax expense is charged or credited outside Statement of Profit or Loss and Other Comprehensive Income when the tax relates to items that are recognised outside Statement of Profit or Loss and Other Comprehensive Income.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable Statement of Profit or Loss and Other Comprehensive Income.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

2.7 Cash and cash equivalents

Cash comprises cash in bank, on hand and term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

2. Significant Accounting Policies, continued

2.8 Property, plant and equipment

Owned assets

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent additions

Additions to property, plant and equipment are capitalised if it is probable that the future economic benefits will flow to the Company and the cost of these can be measured reliably. All other costs are recognised as an expense in the statement of profit or loss and other comprehensive income in the period the cost has been incurred.

Depreciation

Depreciation is charged over the estimated useful life to the statement of profit or loss and other comprehensive income. The residual value of assets is reassessed annually. The following rates have been used

-	Fixtures, fittings and furnishings	New Zealand	11% - 67% diminishing value basis
-	Computers	New Zealand	26% - 50% on a diminishing value basis and,
		Australia	25% - 33% of cost.
-	Motor Vehicles	New Zealand	30% - 36% diminishing value basis
		Australia	25% of cost.

2.9 Intangible Assets

Software is measured at cost less accumulated amortisation and impairment losses. Software has a finite useful life. Amortisation is charged over the estimated useful life to the statement of profit or loss and other comprehensive income. The following rates have been used:

-	Software	Australia	25% of the cost of the software.

2.10 Non derivative financial instruments

Non derivative financial instruments comprise investments, trade and other receivables, related party receivables, loans to shareholders, loans to other related parties, cash and cash equivalents, term loans and related party payables.

Non-derivative financial assets except for investments are classified as loans and receivables.

Investments are initially recognised at fair value with the transaction costs being expensed in the statement of profit or loss and other comprehensive income. Subsequent to initial recognition investments are valued at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. Interest income is recognised in the statement of profit or loss and other comprehensive income as earned.

Other non derivative financial instruments are recognised initially at fair value plus any attributable transactions costs. Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised costs using the effective interest method, less any impairment losses.

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

2.11 Premium Receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at cost less any impairment.

2. Significant Accounting Policies, continued

2.12 Impairment

The carrying amounts of the Company's assets, property, plant and equipment, intangible assets and financial assets are reviewed at each balance date to determine if there is any indication of impairment. If any such impairment exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of profit or loss and other comprehensive income.

2.13 Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

2.14 Outstanding claims liability

Outstanding claims liabilities are recognised when contracts are entered into and loss events have occurred and are based on the estimated ultimate cost of the claims incurred but not settled at the year-end date, together with related claims handling costs and reduction for the expected value of salvage and reinsurance recoveries. The Company's insurance products provide cover on a 'claims made' basis rather than on an 'occurrence' basis and therefore a claim must be notified to the Company before it is incurred.

A central estimate is made of the present value of claims reported but not paid and incurred but not enough reported. A risk margin is added to this central estimate to allow for the inherent uncertainty in the central estimate.

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these claims cannot be known with certainty at the balance date. The liability is calculated at the reporting date using projection techniques based on historical data, trends and current assumptions. The liability is discounted for the time value of money, where material using the risk free government stock rate. Changes in claims that have occurred, but which have not been settled, are reflected by adjusting the liability. The liability is derecognised when the claim is discharged or withdrawn.

2.15 Deferred acquisition costs

Acquisition costs incurred in obtaining and recording insurance contracts are deferred in recognition that they represent future benefits. Deferred acquisition costs are only recognised if they can be reliably measured and are expected to give rise to future benefits. Deferred acquisition costs are amortised over the expected pattern of the incidence of risk under the insurance contract.

2.16 Unearned premium reserve and liability adequacy testing

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

A liability adequacy test is performed to assess whether there are any deficiencies in the unearned premium reserve due to expected future claims. The amount of these expected future claims is estimated using the present value of future claims and expenses plus an additional risk margin to reflect the inherent uncertainty in those cash flows. This is compared to the unearned premium reserve and deferred acquisition costs. Any deficiency is recognised in the statement of profit or loss and other comprehensive income after first writing down any deferred acquisition costs. Any additional amount is recognised in the balance sheet as an unexpired risk liability.

The liability adequacy test is performed at the level of portfolio contracts that are subject to broadly similar risks and are managed together as a single portfolio. No deficiency was recognised in 2016 or 2015.

2.17 Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the balance date. Employee benefits that are expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled in one year, have been measured reliably at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when employees have rendered service entitling them to the contributions.

2. Significant Accounting Policies, continued

2.18 Insurance risk and sensitivity

The Company has insurance contracts which transfer insurance risk from the policyholder to the Company. The insurance risk taken on by the Company is the possibility that an insured event occurs, when that event will occur and the uncertainty surrounding the amount of any resulting claim. These risks are unpredictable. The Company has estimated in these financial statements the likely amounts which are expected to be paid out both with respect to claims incurred and expected future claims. The Company takes a conservative approach to this estimation process. The Company is however still at risk that the carrying amounts of insurance liabilities and assets recognised in the financial statements will be exceeded by the amount of the actual claim. This could occur when there are more claims than expected or where a claim is greater than the severity expected.

The Company's objective is to minimise this insurance risk to within acceptable levels through the policies which manage its insurance risk. The Company's policies to manage this risk include the diversification of risk and a reinsurance programme. The Company has developed an underwriting strategy which diversifies the types of insurance contracts written. Within each type of insurance written the Company's policy is to ensure that there is a sufficient volume of contracts to reduce the variability in the expected outcome. The Company also cedes reinsurance. The reinsurance programme is an excess of loss arrangement whereby cover is provided on the basis of claims notified on policies issued or renewed during the period of cover.

The profit or loss is sensitive to changes in any variables. The key assumption in determining the Incurred But Not Enough Reported (IBNER) claims is the future loss ratio and the profit and loss is sensitive to this variable.

2.19 Use of estimates and judgements

The preparation of the financial statements in conformity with AASB requires management to make judgements and estimates with respect to assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(a) Outstanding claims liability

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Claims reported to the Company at balance date are estimated with due regard to the claim circumstance as reported by the insured, legal representative, assessor, loss adjuster and/or other third party and then combined, where appropriate, with historical evidence on the cost of settling similar claims. Estimates of the cost of claims reported are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not enough reported ("IBNER") are generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR and IBNER claims may often not be adequately reported until many years after the events giving rise to the claims have happened. Long-tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNER reserves. Short-tail claims are typically reported soon after the claim event, and hence, estimates are more certain.

In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analysis of historical and industry experience that assumes that the development pattern of the current claims will be consistent with past experience and/or general industry benchmarks as appropriate. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. The ultimate net outstanding claims provision also includes an additional risk margin to allow for the uncertainty within the estimation process.

2.20 Application of new and revised Accounting Standards

In the current year the company has applied a number of amendments to AASBs in preparing these accounts.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Pacific International Insurance Pty Limited
Notes to the financial statements
For the year ended 30 June 2016

2. Significant Accounting Policies, continued

2.20 Application of new and revised Accounting Standards (continued)

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'

The amendments to AASB 128 align the relief available in AASB 10 and AASB 128 in respect of the financial reporting requirements for Australian groups with a foreign parent. The amendments require that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

The application of these amendments does not have any material impact on the disclosures or amounts recognised in the financial statements.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB - 9 Financial instruments	1 January 2018	30 June 2019
AASB - 9 Financial instruments (Revised)	1 January 2018	30 June 2019
2009-11 An AASB 9	1 January 2018	30 June 2019
2010-7 Am(AASB 9 (December2010)	1 January 2018	30 June 2019
2014 -1 Am (Part E - Financial instruments)	1 January 2018	30 June 2019
2014 -4 Am of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
AASB 15 - Revenue from Contracts with Customers	1 January 2017	30 June 2018

The standards, amendments and interpretations to existing standards which are listed above are not mandatory for the company until the financial year when the they are expected to be applied.

The new or revised accounting standards listed above have been published and are mandatory for the Company in accounting periods beginning after 1 July 2016 and the Company has decided not to early adopt. When adopted in future periods the company does not expect there to be a material impact on the financial statements of the company.

3. Risk management policies and procedures

The Company's operations are exposed to a number of key risks including financial and insurance risk. The Company's policies and procedures in managing these risks are set out below.

The Company's financial condition and operating activities are affected by the following core risks - strategic, balance sheet and market, interest, credit, liquidity, solvency, counterparty, insurance, concentration, operational and governance risk.

(i) Risk Management roles and responsibilities

The Board has the responsibility for setting and maintaining an appropriate risk management framework, which is included in the "Group Risk Management Strategy" and risk appetite for the Company. Management has implemented risk management policies, procedures and controls to manage the risk and regularly reports to the Board Audit Committee and the Board on the current status of the risk management framework.

3. Risk management policies and procedures, continued

The key risks addressed by the risk management framework include:

Strategic risk - the risk of internal or external events impacting on the Company leading to failed business, policyholder or shareholder objectives.
Balance sheet and Market risk - the risk arises from adverse movements in; interest rates in New Zealand and Australia, foreign exchange rates and general market volatilities and its impact on the market value of the company's assets and liabilities.
Interest rate risk - The risk of loss of current and future earnings and unfavourable movements in the value of interest bearing assets and liabilities from changes in interest rates.
Liquidity risk - the risk that the Company will not be able to meet its cash flow requirements in the future. Liquidity risk arises from the requirement to settle claim payments and other financial obligations in the timely manner.

Solvency risk - the risk that the Company has insufficient capital to meet its regulatory requirement or to maintain its ongoing business operations.
Counterparty risk - the risk that one party to a financial instrument will cause a financial loss to the Company.
Credit risk - rises from receivables due from policy owners, the placement of reinsurance and investments in financial instruments.
Insurance risk - The risk associated with inadequate underwriting guidelines or claims processes including the risks that arises through the groups reinsurance arrangements.
Asset/Counterparty Concentration Risk - risk of loss to the Group from large exposures to one or a few counterparties that a significant holding or commitment to the company.

Insurance Concentration risk - The amalgamation of insurance risks held by the Group to a particular insured, industry or potential event or events.
Concentration risk - the amalgamation of risks held by the Company to a particular counterparty, geographic region or industry.
Operational risk - the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.
Governance risks - the risk of loss to the Company from ineffective control or oversight of its operations at management and board level leading to inadequate decision making processes.
Contagion risk - The risk arising from the failure or inability of a related party to provide services as required by the Company.

(ii) The objectives for managing insurance risk

The Company's policies and procedures, processes and controls are designed to manage risk. These systems address all material risks, financial and non-financial likely to be faced by the Company. The Board, aided by the Board Risk Committee and the Board Audit Committee, directs and monitors implementation, practice and performance throughout the organisation. The company has adopted the AS/NZS ISO 31000:2009 Standard Approach to Risk Management.

The process Risk identification;
- Risk analysis
- Risk evaluation
- Risk treatment
- Monitoring and review
- Communication and consultation

Key processes and controls used to mitigate any identified risks are:
- Established policies, procedures and controls around the acceptance, underwriting and pricing of insurance risks;
- Maintenance and use of computer systems to provide up to date and reliable information on the risks that the Company is exposed to;
- Use of reinsurance to preserve the Company's capital by reducing the Company's exposure to the costs of large claims;
- Processes around the development and approval of new product proposal with approval required from the Board of Directors;
- Investment that ensures that the Company's funds are invested with secure financial institutions;

3. Risk management policies and procedures, continued

- Use of an independent internal auditor, reporting to the Board Audit Committee to review compliance with Board approved policies; and
- Board appointed external actuary involved on both the pricing of new products and the establishment of claims reserves.

Terms and conditions of insurance policies

The terms and conditions attaching to insurance policies affect the level of risk accepted by the company. There are no special terms and conditions in any non standard contracts that have a material impact on the financial statements.

Concentration of risk

The Company's exposure to concentrations of insurance risk is mitigated by diverse geographical locations of the risks underwritten. The reinsurance policies purchased minimise the exposure of the Company to large claims losses.

(iii) Credit Risk

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

The key sources of credit risk are premiums receivables and investments in financial instruments. There has been no change to the credit risk faced by the Company during the financial year.

4.Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value is also an exit price regardless of whether that process is directly observable or estimated using another valuation technique.

This note provides information about how the Company determines fair value of various financial assets and financial liabilities.

Some of the Company's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the these financial assets and financial liabilities are determined (in particular), the valuation techniques and inputs used.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

5. Premium	**2016**	**2015**
Comprises:		
Gross written premium	6,381,512	6,380,347
Change in unearned premium reserve	(111,043)	65,394
Earned Premium	6,270,469	6,445,741

	2016	**2015**
6. Underwriting and other expenses		
Included in other underwriting expenses are:		
Rapid Administration recharge	734,088	606,290
Salaries & wages	348,623	364,939
Actuarial Services costs	158,779	146,380
Audit Fees (External and Internal)	112,667	46,357
Accounting Services costs	74,758	26,630
Corporate restructure costs	-	57,825
Management fees paid to related parties	-	25,000
Travel and Entertainment costs	41,403	36,206
Depreciation & software amortisation	23,495	42,730
Donations	-	3,935
Occupancy costs	32,082	44,608
Rating Fee	39,999	37,454
Other costs	158,742	220,897
Total other underwriting expenses	1,724,636	1,659,251

7. Claims Expense

	2016	**2015**
Claims expense	2,361,945	1,570,853

Current year claims relate to risks borne in the current financial year. Prior year claims relate to risks borne in all previous financial years since policy retroactive dates.

Discounted	Current year	Prior years	Total
Net Claims incurred			
2016	2,762,031	(407,459)	2,354,572
2015	2,070,577	(523,203)	1,547,373

Undiscounted	Current year	Prior years	Total
Net Claims incurred			
2016	2,840,717	(502,895)	2,337,822
2015	2,132,774	(700,685)	1,432,089

8. Interest Income	**2016**	**2015**
Interest Income on New Zealand Government Stock	-	22,423
Interest Income on Other investments	446,001	558,156
	446,001	**580,579**

9. Taxation	**2016**	**2015**
9.1 Reconciliation of income taxation to prima facie tax payable		
Profit before taxation	404,312	1,224,769
Comprehensive income	-	-
Profit and comprehensive income before income taxation	404,312	1,224,769
Permanent differences:		
Non deductible expenses	194,550	50,014
Foreign Exchange impact on financial assets	-	435,371
Other	(12,632)	(28,556)
Profit subject to taxation	586,230	1,681,598
Taxation	174,218	497,066
Deferred Taxation	18,470	(124,502)
Prior year adjustments	-	238,527
Income taxation recognised in Statement of Comprehensive Income	**192,688**	**611,091**

Pacific International Insurance Pty Limited
Notes to the financial statements
For the year ended 30 June 2016

9. Taxation (continued)

9.2 Income taxation expense/benefit	**2016**	**2015**
Comprising:		
Estimation of current year tax assessment	174,218	456,875
Deferred Taxation	18,470	(84,311)
Under provision for prior year	-	238,527
	192,688	**611,091**

9.3 Imputation Credits	**2016**	**2015**
Australia - Franking credits	374,049	
	374,049	-

9.4 Taxation Payable	**2016**	**2015**
Balance at the beginning of the year	375,123	(393,647)
Income tax paid	(402,421)	250,141
Current year tax on operating profit	174,218	456,875
Adjustment for prior years	(23,171)	61,754
Balance at the end of the year	**123,749**	**375,123**

10. Deferred taxation	**2016**	**2015**
10.1 Deferred taxation assets		
Deferred taxation assets are attributable to:		
Employee benefits	14,036	9,578
Deferred acquisition costs	40,900	64,621
Deferred taxation assets	**54,936**	**74,199**
Movements during the year		
Deferred taxation assets		
Balance at the beginning of the year	73,407	(10,905)
Adjustment on migration to Australia	-	86,770
Profit or Loss	(18,471)	(2,458)
Balance at the end of the year	-	-
Net deferred taxation asset/(liability) at year end	**54,936**	**73,407**

11.Property, Plant and Equipment

Computer Equipment	**2016**	**2015**
Opening Net Book Value	17,358	20,737
Additions	-	-
Depreciation charge for year	(4,608)	(11,123)
Fair Value adjustment on migration	-	7,744
Closing Net Book Value	**12,750**	**17,358**

Furniture and Fittings	**2016**	**2015**
Opening Net Book Value	4,034	12,853
Additions	4,475	-
Scrapped Furniture & Fittings	-	(7,821)
Depreciation charge for year	(2,479)	(998)
Closing Net Book Value	**6,030**	**4,034**

Motor Vehicles	**2016**	**2015**
Opening Net Book Value	11,777	17,072
Additions	45,662	-
Scrapped Motor Vehicles	(10,528)	-
Depreciation charge for year	(11,875)	(5,295)
Closing Net Book Value	**35,036**	**11,777**
Total Property, plant and equipment	**53,816**	**33,169**

12.Intangible Assets	**2016**	**2015**
Software		
Opening net book value	18,133	10,771
Additions	-	3,742
Amortisation charge for the year	(4,533)	(17,493)
Fair Value adjustment on migration	-	21,113
Closing net book value	**13,600**	**18,133**

13. Other income	**2016**	**2015**
Recharge from New Zealand Branch to Rapid Administration	201,125	226,676
Fair value adjustment on migration to Australia	-	28,857
Training Income - New Zealand Branch	79,122	65,371
	280,247	**320,904**

14. Deferred acquisition costs	**2016**	**2015**
Deferred acquisition costs at 1 July	970,582	1,059,449
Acquisition costs deferred	1,948,549	1,967,317
Amortisation charged to income	(1,919,851)	(2,056,184)
Deferred acquisition costs at 30 June	**999,280**	**970,582**

15. Trade and other receivables	**2016**	**2015**
Trade and other receivables	769,094	102,821
Prepayments	27,359	31,314
	796,453	**134,135**

There is no impairment charge against trade and other receivables in 2016 or 2015. It is expected that all receivables will be recovered inside the next twelve months.

16. Cash and cash equivalents	**2016**	**2015**
Bank Balances	600,829	3,223,299
	600,829	**3,223,299**

17. Investments	**2016**	**2015**
Term deposits at banks	16,852,501	14,967,653
	16,852,501	**14,967,653**

The term deposits at banks bear interest rates that range between 2.7% p.a. and 3.2% p.a and have terms from 3 months to 12 months.

18. Investments income receivables	**2016**	**2015**
Accrued Interest	84,379	43,916
	84,379	**43,916**

19. Share capital	**2016 No of shares**	**2016 $**	**2015 No of shares**	**2015 $**
Ordinary shares	2,304,376	11,916,319	2,304,376	11,916,319
E class discretionary shares (preference shares)	901	901	901	901
Total		**11,917,220**		**11,917,220**

All shares issued are fully paid and have no par value.
Fully paid ordinary shares carry one vote per share and carry a right to dividends

	2016	2015
20.Trade and Other Payables		
Trade payables	88,698	159,952
Accruals	49,970	40,240
Staff annual leave	57,903	34,941
Other creditors	15,576	12,768
Total trade and other payables	**212,147**	**247,901**

It is expected that all payables will be settled in the next twelve months.

21. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

The analysis of financial assets and liabilities into their categories and classes is set out in the following table:

	Carrying Value	
	2016	**2015**
Financial Assets		
Cash and cash equivalents	600,829	3,223,299
Investments	16,852,501	14,967,653
Investments income receivables	84,379	43,916
Trade and other receivables	796,453	178,051
Related party receivables	1,074,324	1,155,029
Financial Liabilities		
Trade and other payables	212,147	247,901
Related party payables	156,414	215,143

Credit Risk

The credit risk concentration is within one company located in Australia. The significant concentrations of credit risk are outlined by counterparty below.

	Carrying Value	
	2016	**2015**
Banks	600,829	3,223,299
Investments	16,852,501	14,967,653
Investments income receivables	84,379	43,916
Trade and other receivables	796,453	178,051
Related party receivables	1,074,324	1,155,029

(i) Credit quality of financial assets that are neither past due nor impaired.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

Credit exposure by credit rating	Carrying Value	
	2016	**2015**
AAA to AA+	-	-
AA+ to A-	17,453,330	18,189,923
BBB+ to BBB-	-	-
Unrated	1,870,777	1,333,080

Liquidity Risk

The maturity table, based on the expected cash flows is presented below for the purposes of disclosing the cash flows that are actually expected to occur over the life of the Company's financial assets and liabilities.

2016	**At call**	**1 year or less**	**More than 1 year**	**Total**
Financial assets				
Banks	600,829	16,852,501	-	17,453,330
Trade and other receivables	-	796,453	-	796,453
Related party receivable	-	1,074,324	-	1,074,324
Loans due from related parties	-	-	-	-
New Zealand Government Stock	-	-	-	-
Total financial assets	600,829	18,723,278	-	19,324,107
Financial liabilities				-
Trade and other payables	-	212,147	-	212,147
Related party payable		156,414		156,414
Total financial liabilities	-	368,561	-	368,561

21. Financial Instruments, continued

2015	**At call**	**1 year or less**	**More than 1 year**	**Total**
Financial assets	3,223,299	14,967,653	-	18,190,952
Banks	-	178,051	-	178,051
Trade and other receivables	-	1,155,029	-	1,155,029
Related party receivable	-	-	-	-
Loans due from related parties	1,870,777	1,870,777	-	-
New Zealand Government Stock	5,094,076	18,171,510	-	19,524,032
Total financial assets				
Financial liabilities				
Trade and other payables	-	247,901	-	247,901
Related party payable	-	215,143	-	215,143
Total financial liabilities	-	463,044	-	463,044

Market Risk

The Company's exposure to foreign currency risk was as follows:

	2016 NZD	**2015 NZD**
Bank	91,024	441,610

Interest rate risk and sensitivity analysis

Cash, related party loans and interest bearing liabilities are held at amortised cost and subject to fixed interest rates.
Related party receivables and payables are non-interest bearing.
Other trade receivables and payables are also non-interest bearing.

22. Outstanding claims liabilities

	2016	**2015**
Central estimate of outstanding claims liability	3,074,966	2,709,292
Claims handling costs	298,027	197,551
Discount	(94,686)	(109,929)
Risk margin	520,250	453,014
Total outstanding claims liability	**3,798,557**	**3,249,928**

		2016	**2015**
Outstanding claims at 1 July		3,249,926	4,763,295
Claims paid		(1,386,770)	(2,495,717)
Movement in discount		11,054	14,978
Other movements	Prior Years	(418,508)	(538,182)
	Current Year	2,342,854	1,505,554
Total outstanding claims liability - 30 June		**3,798,557**	**3,249,928**

22. Outstanding claims liabilities, continued

The outstanding claims liability is based on best available information at the time the financial statements are signed. Subsequent information or actions can affect the amount ultimately settled on a claim.

Assumptions adopted in calculation of general insurance liabilities.
The actuarial report was prepared by Tim Andrews , who is a Fellow of the Institute of Actuaries of Australia, and is employed by Finity Consulting Pty Limited. The Actuary is satisfied as to the accuracy of the data upon which the calculation of insurance liabilities has been made and is satisfied that the accounting provisions held in respect of the insurance liabilities are adequate.

The key assumptions which have the greatest effect on the net outstanding claims liabilities are:

	2016	2015
Inflation rate	Implicit	Implicit
Discount rate	1.7%	2.2%
Claims handling expense rate	10.0%	7.6%
Future loss ratios	25%-42%	25%-40%
Risk margin	15.9%	16.2%
Weighted average expected term to settlement	1.9 years	1.8 years

Sensitivity Analysis

The impact of changes in key variables on the outstanding claims provision is summarised in the table below

	Movement in variable	Profit before taxation	Profit after taxation	Equity
Claims handling expense	5%	389,411	203,824	12,828,605
	-5%	419,213	219,424	12,844,205
Discount rate	1%	476,211	249,257	12,874,038
	-1%	332,413	173,991	12,798,772
Risk margin	1%	399,110	208,901	12,833,682
	-1%	409,514	214,347	12,839,128

Process for determining the risk margin

The risk margin was determined by allowing for uncertainty taking into account the following:

(i) Independent risks, comprising variation in future claims costs due to the randomness inherent in the insurance process and random variation in the historical claims costs affecting the parameters selected for use in the actuarial models.

(ii) External systemic risk, comprising variation in future claims costs due to risks external to the modelling process, for example, catastrophic events or changes in the legislative environment

(iii) Internal systemic risk which represents variation in future claims costs due to the models not being fully representative of the underlying insurance process and due to errors in the data on which the models are based.

The risk margin is intended to achieve a provision which will have 75% probability of sufficiency.

Pacific International Insurance Pty Limited
Notes to the financial statements
For the year ended 30 June 2016

22. Outstanding claims liabilities, continued

Claims development

The following table shows the development of outstanding claims relative to the ultimate claims costs for the eight most recent years:

Central estimate	Lodged year (ended 30 June)								
of ultimate	Prior	2010	2011	2012	2013	2014	2015	2016	Total
incurred claims	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)
At end of accident year		2,468	3,029	3,559	2,312	2,867	1,819	2,319	
one year later	13,523	2,589	2,514	2,910	1,669	2,564	2,330		
two years later	13,522	1,943	2,659	2,513	2,001	2,610			
three years later	13,391	1,688	2,509	2,482	1,420				
four years later	13,047	1,496	2,524	2,432					
five years later	12,473	1,447	2,488						
six years later	12,455	1,436							
seven years later	12,426								
Central	12,426	1,436	2,488	2,432	1,420	2,610	2,330	2,319	27,461
Payments to 30 June 2016	12,426	1,436	2,464	2,359	1,278	2,205	1,800	419	24,386

23. Unearned Premium liabilities

	2016	2015
Unearned premium liability July 1	3,292,769	3,358,163
Deferral of premium on contracts written during the year	3,402,846	3,292,769
Prior year premiums earned	(3,292,769)	(3,358,163)
Unearned premium liability June 30	**3,402,846**	**3,292,769**

Liability adequacy test

A liability adequacy test was performed on 30 June 2016 and 30 June 2015. Both tests identified a surplus. The tests were based on the following assumptions:

	2016	2015
Central estimate of the present value of expected future cash flows ($)	1,717,085	1,444,683
Component of the present value of expected future cash flows related to the risk margin ($)	328,961	337,814
The percentage risk margin adopted in determining the present value of expected future cash flows (%)	19.2%	23.4%
The probability of adequacy intended to be achieved through the adoption the risk margin (%)	75%	75%

24. Operating Leases

	2016	2015
Non cancellable operating lease rentals are payable as follows:		
Less than one year	10,008	19,558
Between one and five years	1,668	11,676
	11,676	31,234

The company has signed a new lease for premises at 597 Rosebank Road commencing 1 September 2015 for a two year period. The cost of the new premises have been included in the numbers in this note.

25. Commitments

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

26. Contingencies

Contingent liabilities as at 30 June 2016 were $Nil (2015 $Nil).

27. Credit Rating

Pacific International Insurance Pty Limited has received a financial strength rating of B++ (Good) with Stable outlook from AM Best on 1 April 2016. The credit rating is an indication of the Company's current and future claims paying ability.

28. Related Parties

a) Identity of related parties

Rapid Solutions Holding Pty Limited

Rapid Solutions Holdings Pty Limited is the majority shareholder in the Company. There are no transactions with the company during the 2016 financial year.

Rapid Administration Pty Limited

Rapid Administration Pty Limited is the service company for the group and charges the company general operating expenses of a group nature. The New Zealand Branch charges Rapid Administration Pty Limited costs relating to the office of the Chief Financial Officer.

Rapid Solutions Pty Limited

The Company has a related party relationship with it's Australian agent, Rapid Solutions Pty Ltd, and its key management personnel, which are its shareholders, directors and executive officers. Transactions with the Australian agent include a loan, commissions on securing insurance business and sundry payables and receivables. Transactions with its key management personnel are loans to Shareholders. Settlement is made under commercial terms of trade.

Rapid Training Pty Limited

The Company has a related party relationship with Rapid Training Pty Ltd and its key management personnel, which are its shareholders, directors and executive officers. A management fee is paid to Rapid Training Pty Ltd.

b) Transactions and balances

Transactions during the year:

	2016	**2015**
Transactions included in income:		
Rapid Solutions Pty Ltd	-	36,633
Rapid Administration Pty Ltd	200,805	221,621
	200,805	**258,254**
Transactions included in expenses:		
Rapid Solutions Pty Ltd	(2,032,092)	(2,478,790)
Rapid Administration Pty Ltd	(861,014)	(589,125)
Rapid Training Pty Ltd	(60,067)	(46,724)
	(2,953,173)	**(3,114,639)**

28. Related Parties, continued

c) Outstanding balances; Assets/(Liabilities)	**2016**	**2015**
Rapid Solutions Pty Ltd		
Related party receivables	659,839	904,983
Related party payables	(156,414)	(188,631)
Rapid Administration Pty Ltd		
Related party receivables	409,343	245,046
Related party payables		-
Rapid Brokers Pty Ltd		
Related party receivables	-	5,000
	2016	**2015**
Rapid Training Pty Ltd		
Related party receivables	5,142	-
Related party payables	-	(26,512)
Total related party balances		
Related party receivables	**1,074,324**	**1,155,029**
Related party payables	**(156,414)**	**(215,143)**

29.Remuneration of Auditors

	2016	**2015**
Audit Services		
Audit and review of the annual financial statements including the audit of regulatory returns	112,667	66,068
	112,667	66,068
Other payments		
Taxation and group restructure fees	74,758	14,160

30. Reconciliation of profit after income taxation to net cash flows from operating activities

	2016	**2015**
Profit after income taxation	**211,624**	**613,678**
Add/(less) non-cash items		
Depreciation of property plant and equipment includes amortisation of intangibles	23,496	42,730
Revaluation of property plant and equipment including foreign exchange	-	(28,857)
Loss (Gain) on foreign exchange movements	(18,481)	201,723
Loss on sale of property plant and equipment	10,528	
	227,167	**829,274**
Add/(less) movements in assets and liabilities		
Decrease/(increase) in receivables	(622,076)	(170,706)
Increase/(Decrease) in deferred tax asset	18,471	(84,311)
(Increase)/Decrease in taxation payable	(251,374)	768,770
(Decrease)/increase in payables	(94,483)	(340,270)
(Decrease)/increase in unearned premium reserve	110,077	(65,394)
(Decrease)/increase in outstanding claims liabilities	548,629	(1,513,367)
(Decrease)/increase in deferred acquisition costs	(28,698)	
	(319,454)	**(1,405,278)**
Net cash (used in) operating activities	**(92,287)**	**(576,004)**

30. Events occurring after balance date

There are no events after 30 June 2016 requiring disclosure in the annual accounts.

31. Capital management and solvency

The Company considers share capital, retained earnings and reserves to be capital. The Company aims to retain a sufficient level of capital to achieve a 2:1 solvency coverage ratio to maintain its claims paying ability. The minimum capital requirement imposed by the Australian Prudential Regulatory Authority (APRA) is $5.000m. As at 30 June 2016 the Company had surplus capital of $8.018m above the APRA requirement.

Post migration the Minimum Solvency Capital requirement for the Company is outlined below.

As at 30 June 2016 the Company solvency margin is.

	2016 (000's)
Actual Solvency Capital	13,018
Minimum Solvency Capital	5,000
Solvency Margin	8,018

The methodology for determining the Solvency Margin is in accordance with the requirements of the Prudential Standards for a General Insurance business as published by the Australian Prudential Regulation Authority.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Directors of Pacific International Insurance Pty Limited

Report on the Financial Report

We have audited the accompanying financial report of Pacific International Insurance Pty Limited which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 3 to 26.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pacific International Insurance Pty Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Pacific International Insurance Pty Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Deloitte.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 28 October 2016

Review of Actuarial Information contained in Financial Statements as at 30 June 2016

Pacific International Insurance Limited

October 2016

finity

28 October 2016

The Directors
Pacific International Insurance Pty Limited
C/- Murray Healey
PO Box 19 – 410
Avondale
Auckland
New Zealand

Dear Directors

Review of Actuarial Information contained in Financial Statements as at 30 June 2016

Finity Consulting Pty Limited (Finity) has been asked by Pacific International Insurance Pty Limited (Pacific) to carry out a review of the 30 June 2016 actuarial information contained in Pacific's financial statements and provide an opinion as to its appropriateness. Tim Andrews is an employee of Finity and is the Appointed Actuary to Pacific. Finity has no relationship with Pacific apart from the Appointed Actuary role. In 2016 we provided Pacific with advice in relation to a potential repatriation of capital.

Pacific's policy is to seek and adopt the advice of the Appointed Actuary in respect of the actuarial information contained in its financial statements. We confirm that the financial statements as at 30 June 2016 have been prepared in accordance with this policy, and as such this satisfies the requirements of the Act.

Having carried out our actuarial review nothing has come to our attention that would lead us to believe that the actuarial information contained in the financial statements for Pacific as at 30 June 2016 are inappropriate. No limitations were placed on us in performing our review, and all data requested was provided.

This review is being provided for the sole use of Pacific for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on the purpose for which it is intended.

Yours sincerely

T. Andrews

Tim Andrews

Anita Samu

Anita Samu

Fellows of the Institute of Actuaries of Australia

Review of Actuarial Information contained in Financial Statements as at 30 June 2016

finity

Report Findings

1 Introduction

1.1 Scope

Finity Consulting Pty Limited (Finity) was engaged by Pacific International Insurance Pty Limited (Pacific) to undertake an actuarial review (AR) of actuarial information contained in Pacific's financial statements as at 30 June 2016 in accordance with New Zealand insurance prudential requirements. This advice has been prepared pursuant to our engagement letter dated 20 May 2016.

This report has been kept deliberately brief. We have endeavoured to conduct and document this AR in an efficient manner focussing on the core issues only. Additional information is contained in the Insurance Liabilities Valuation Report (ILVR), dated 30 September 2016. This report must be read in conjunction with the ILVR in order for it to be considered in its appropriate context.

1.2 Timing

Our review of the financial information has been conducted following the completion of the ILVR and prior to the registration of Pacific's financial statements under the Financial Reporting Act 1993. The completion of this report occurred after the audit signoff of the financial statements.

1.3 Compliance with Standards

This review and accompanying report has been conducted in accordance with Sections 77 (s77) and 78 (s78) of the Insurance (Prudential Supervision) Act 2010 (the Act) and the RBNZ Solvency Standard for Non-life Insurance Business dated December 2014 (the Solvency Standard).

This AR relates to the information contained in my ILVR and its use in Pacific's financial statements. The ILVR has been prepared in accordance with the New Zealand Society of Actuaries (NZSA) Professional Standard 30 (PS30) dated September 2014.

1.4 Relationship to Insurer

Finity is independent of Pacific and has no conflict of interest in undertaking this review. Finity has no relationship with Pacific apart from the Appointed Actuary role. In 2016 we provided Pacific with advice in relation to a potential repatriation of capital.

2 Review Detail

2.1 Review Requirements

The requirements of s77 and the Solvency Standard are for the Appointed Actuary to:

- review actuarial information contained in the financial statements
- consider the appropriateness of the use of actuarial information in the preparation of the financial statements
- review the solvency return.

Actuarial information includes the following items:

- premium liabilities
- net outstanding claims
- reinsurance and other recoveries
- application of the liability adequacy test
- level of deferred acquisition costs.

If it is the company's policy to seek the advice of the Appointed Actuary in respect of this information, and to always adopt that advice in respect of its financial statements, then this satisfies the review requirements in accordance with the terms of the Solvency Standard.

2.2 Findings

Pacific has sought my advice as Appointed Actuary in respect of the actuarial information contained in the financial statements as at 30 June 2016, and has adopted the advice provided.

Table 2.1 shows that there are no differences between the actuarial information presented in the ILVR and financial statements

Table 2.1 – Comparison of Actuarial Information (AU$ 000s)

	ILVR	Financial Statements
Premium Liabilities	2,046	2,046
Net Outstanding Claims Liability	3,799	3,799
Reinsurance Recoveries	Nil	Nil
Other Recoveries	Nil	Nil
Deferred Acquisition Costs	N/A	999

The level of deferred acquisition costs and application of the liability adequacy test were not explicitly documented in the ILVR. Hence we have done so below:

Table 2.2 – Liability Adequacy Test

	(AU$ 000s)
Derivation of premium available	
Unearned premium liability at 30 June	3,403
less Deferred acquisition costs at 30 June	999
Premium available to meet expected claims cost (A)	**2,404**
Derivation of expected claims cost	
Central estimate of expected future claims	1,717
Component of present value of expected future cash flows relating to the risk margin	329
Total expected provision related to future claims (B)	**2,046**
Derivation of deficiency in provision	
Deficiency in provision (max of 0 & B-A)	**0**
Basis for Risk Margin	
The percentage risk margin adopted in determining the present value of expected future cashflows (%)	19.2%
The probability of adequacy intended to be achieved through adoption of the risk margin (%)	75%

The expected cost of future claims for policies already written of $2.046 million is lower than the premium reserves available to meet these claims of $2.404 million. As such no write-down of the Deferred Acquisition Cost is required. As such we confirm that the Liability Adequacy Test and conclusions drawn are consistent with our advice.

3 Conclusions and Opinion

3.1 Conclusions

In undertaking the valuation of the insurance liabilities upon which the actuarial information in the financial statements is based, as Appointed Actuary, I (either myself or with colleagues) have:

- reviewed the actuarial information contained within the financial statements
- reviewed the appropriateness of the data used and data reconciliations
- reviewed the appropriateness of the use of the actuarial information
- given suitable weight to all factors I consider material.

3.2 Opinion

Having carried out the actuarial review as described, nothing has come to our attention that would lead us to believe that the actuarial information used in the financial statements or the determination of Actual Solvency Capital for Pacific as at 30 June 2016 are inappropriate.

4 Reliances and Limitations

The AR is a review for appropriateness. Finity's advice must be read in conjunction with the ILVR and supporting valuation documentation in order for it to be considered in its appropriate context. In particular, we note it is not possible to put a value on technical liabilities with certainty. As well as difficulties caused by limitations on the historical information, outcomes remain dependent on future events, including legislative, social and economic forces. Although we have prepared estimates in conformity with what we believe to be the likely future experience, actual experience could vary considerably from our estimates. Deviations are normal and are to be expected.

Finity was provided with all Pacific financial and solvency information relevant for the purpose of that valuation and this review. We have relied on the accuracy and completeness of all data and other information (qualitative, quantitative, written and verbal) provided to us for the purpose of this review.

We have not independently verified or audited the data but did review the data for reasonableness and internal consistency. It should be noted that if any data or other information is inaccurate or incomplete, we should be advised so that our advice can be revised, if warranted.

This report is being provided for the sole use of Pacific for the purposes stated in Section 1. It is not intended, nor necessarily suitable, for any other purpose. This report should only be relied on by Pacific for the purpose for which it is intended.

This report may be released to the RBNZ and Pacific's auditors. This report will also be available for third parties as required by section 79 of the Act. Third parties, whether authorised or not to receive this report, should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Finity to the third party.

Any reference to Finity in reference to the contents of this report in any report, accounts or any other published document or any other verbal report is not authorised without our prior written consent.

Finity has performed the work assigned and has prepared this report in conformity with its intended utilisation by a person technically competent in the areas addressed and for the stated purposes only. Judgements about the conclusions drawn in this report should be made only after considering the report in its entirety, as the conclusions reached by a review of a section or sections on an isolated basis may be incorrect.

The report should be considered as a whole. Members of Finity staff are available to answer any queries, and the reader should seek that advice before drawing conclusions on any issue in doubt.

Appendix

A RBNZ Solvency Standard Extracts

130. The specified information for the purpose of the RBNZ solvency standard is:

(a) the Premium Liabilities as defined in this solvency standard;

(b) the Net Outstanding Claims Liability as defined in this solvency standard;

(c) the reinsurance and any other recovery asset(s) relevant to the Reinsurance Recovery Risk Capital Charge;

(d) any deferred acquisition cost or deferred fee revenue relevant to the Premium Liabilities; and

(e) any other information deemed by the appointed actuary to warrant actuarial review for the purpose of profit or solvency reporting.

131. If it is the licensed insurer's established policy to seek the advice of the appointed actuary in respect of part or all of this actuarial information and to always adopt that advice in its financial statements, then the advice from the appointed actuary to the licensed insurer satisfies the review requirements of this solvency standard.

132. In other circumstances the appointed actuary must undertake whatever additional work is necessary in order to complete the review for the purposes of this solvency standard.

133. The appointed actuary's review must cover:

- Net outstanding claims as per NZ IFRS 4 including:
  - central estimate of expected claims and recoveries;
  - discounting at a risk free rate;
  - allowance for claim handling expenses; and
  - a risk margin intended to provide the specified probability of sufficiency;
- Application of the Liability Adequacy Test; and
- The level of deferred acquisition cost in the financial statements after the application of the Liability Adequacy Test as detailed in paragraph 49.

134. Any adjustments arising as a result of the review in the above paragraphs must be incorporated into the solvency calculations.

135. The appointed actuary must use professional judgement to determine the extent of work required regarding the Liability Adequacy Test, considering the nature and size of the licensed insurer's business and the materiality of the risks involved. A full assessment would include comparison of:

- the relevant accounting provisions (unearned premium, deferred acquisition cost, deferred reinsurance expense, deferred reinsurance commissions, unexpired risk and the like); and
- the actuarial estimate of net premium liabilities comprising:

- determination of the appropriate assessment period for Premium Liabilities;
- central estimate of expected claims and recoveries;
- discounting at a risk free rate;
- allowance for policy administration and claim handling expenses;
- allowance for the cost of any future reinsurance (i.e. that has not yet been purchased) required to cover unexpired risks; and
- a risk margin intended to provide a 75% POS (or such higher percentage that may have been used).

136. Any adjustments arising as a result of this assessment must be incorporated into the premium liability adjustment.

Pacific International Insurance Pty Ltd
New Zealand Branch

Annual Financial Statements

30 June 2016

Directors Report

The Directors are pleased to present the financial statements of Pacific International Insurance Pty Ltd - NZ Branch ("Branch") for the year ended 30 June 2016.

The Directors are responsible for the preparation, in accordance with the Branch's constitution and generally accepted accounting practice, of financial statements which fairly present the financial position of the Branch as at 30 June 2016 and the results of the operations for the year ended 30 June 2016.

The Directors consider that the financial statements of the Branch have been prepared using accounting policies appropriate to the Branch, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable International Financial Reporting Standards and NZ IFRS have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Branch and enable them to ensure that the financial statements comply with the relevant accounting standards.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Branch and to prevent and detect fraud and other irregularities.

The financial statements are dated 28 October 2016 and signed in accordance with a resolution of the directors.

For and on behalf of the Directors

G J Hellier	S J S Garrett
Director	Director
28-Oct-16	28-Oct-16

Pacific International Insurance Pty Ltd - New Zealand Branch
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	2016	2015*
Premium revenue	5	117,463	100,368
Net earned premium revenue		117,463	100,368
Underwriting Expenses			
Claims expense	7	34,041	(7,719)
Net claims incurred		34,041	(7,719)
Other Underwriting Expenses			
Policy acquisition expenses		7,369	6,007
Other underwriting expenses	6	169,864	181,709
Total underwriting expenses		177,233	187,716
Underwriting Result		(93,811)	(79,629)
Other income and expenses			
Interest income	8	1,564	48,672
Other income		89,091	65,741
Other expenses		(77,111)	(65,553)
Foreign exchange gain/(loss)		18,481	(103,231)
Total other income and expenses		32,025	(54,371)
Profit/(Loss) before income taxation		(61,786)	(134,000)
Income taxation (credit)/expense	9	(398)	(1,546)
Profit/(Loss) after income taxation		(61,388)	(132,454)
Other comprehensive income			
Other comprehensive income for the year net of tax		-	-
Total comprehensive income/(loss) for the year		(61,388)	(132,454)

*2015 comparative accounts are for 11 months, 1 August 2014 to 30 June 2015.

The statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 6 to 18.

Pacific International Insurance Pty Ltd - New Zealand Branch
Statement of Financial Position
As At 30 June 2016

	Note	2016	2015*
Assets			
Cash and cash equivalents	14	87,165	387,689
Trade and other receivables	13	53,009	35,117
Related party receivables	24	426,270	239,526
Deferred acquisition costs	12	2,547	2,829
Deferred taxation	10	10,141	9,743
Property, plant and equipment	11	41,539	16,454
Total assets		620,671	691,357
Liabilities			
Trade and other payables	15	64,555	83,304
Related party payables	24	5,015	26,512
Unearned premium reserve	18	64,959	56,277
Outstanding claims liability	17	22,266	-
Head office account	20	657,718	657,718
Total liabilities		814,513	823,811
Net assets		(193,842)	(132,454)
Retained Earnings		(193,842)	(132,454)
Total equity		(193,842)	(132,454)

*2015 comparative accounts are for 11 months, 1 August 2014 to 30 June 2015.

The statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 6 to 16.

Pacific International Insurance Pty Ltd - New Zealand Branch
Statement of Changes in Equity
For the year ended 30 June 2016

	Note	2016	2015*
Retained Earnings			
As at 1 July 2015		(132,454)	-
Loss and total comprehensive income for the year		(61,388)	(132,454)
As at 30 June 2016		(193,842)	(132,454)

*2015 comparative accounts are for 11 months, 1 August 2014 to 30 June 2015.

The statement of changes in equity and other comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 6 to 16.

Pacific International Insurance Pty Ltd - New Zealand Branch
Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016	2015*
Cash Flows from Operating Activities			
Premiums received and other income		179,980	189,569
Interest received		1,564	65,561
Taxation refunds received		-	250,141
Claims payments		(12,243)	(18,235)
Payments to suppliers and employees (including on behalf of related parties)		(214,944)	(510,956)
Net cash inflow/(outflow) from operating activities	26	**(45,643)**	**(23,920)**
Cashflows from investing activities			
Net receipts from sale of Government bonds		-	491,200
Purchase of property, plant and equipment		(50,548)	-
Disposals of property, plant and equipment		10,939	-
Net cash inflow from investing activities		**(50,548)**	**491,200**
Cashflows to financing activities			
Cash acquired on transfer of New Zealand company to New Zealand Branch	20	-	3,302,998
Payment to head office	20	-	(3,253,250)
Payments made on behlaf of related parties		(186,745)	-
Cash inflows from financing activities		**(186,745)**	**49,748**
Net increase in cash and cash equivalents		**(282,936)**	**517,028**
Cash at beginning of year		387,689	-
Impact of foreign exchange movements		(17,588)	(129,340)
Cash and cash equivalents at the end of the year	14	87,165	387,689

*2015 comparative accounts are for 11 months, 1 August 2014 to 30 June 2015.

The statement of cash flow should be read in conjunction with the notes to the financial statements set out on pages 6 to 16.

Pacific International Insurance Pty Ltd - New Zealand Branch
Notes to the financial statements
For the year ended 30 June 2016

Contents of the notes to the financial statements **Page**

1. General Information

Pacific International Insurance Limited was a company incorporated and domiciled in New Zealand. On 1 August 2014 the New Zealand business of Pacific International Insurance Limited migrated to the New Zealand Branch of Pacific International Insurance Pty Ltd (the Company) an Australian entity.

The ultimate parent of the Company is Rapid Solutions Holdings Pty Ltd.

The New Zealand Branch has been advised by the Reserve Bank of New Zealand that it has an insurance licence with effect from 1 August 2014. The Branch provides indemnity and liability insurance to the pest, weed and carpet cleaning industries in New Zealand. Additionally, the branch provides New Zealand Qualifications Authority accredited training courses to these particular industries.

Assets and liabilities were transferred to the Branch, at their carrying value in the New Zealand corporate entity, at 31 July 2014, as a common control transaction. Refer to Note 20 for further details.

The financial statements have been prepared on a going concern basis, the validity of which depends on the continued support of Pacific International Insurance Pty Ltd. The Branch is part of Pacific international Insurance Pty Ltd, which is incorporated in Australia. The assets of the Branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying statement of financial position and its debts may result in claims against assets not appearing thereon. This entity has confirmed that its policy is to ensure that the Branch is in a position to meet it obligations as and when those obligations fall due. Prior year comparatives are for the 11 month period, 1 August 2014 to 30 June 2015.

The financial statements of the New Zealand branch are for the year ended 30 June 2016 and were authorised for issue by the Directors' on 28th October 2016.

1.1 Basis of preparation

These financial statements have been prepared in accordance with and comply with Generally Accepted Accounting Practice in New Zealand. They comply with International Financial Reporting Standards and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards appropriate for profit orientated entities. The NZ Branch has prepared its financial statements for the year ended 30 June 2016 on the basis of full disclosure under NZ IFRS. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Markets Conduct Act 2013 and the Insurance (Prudential Supervision) Act 2010.

1.2 Basis of measurement

The financial statements have been prepared on the historical costs basis, except as stated below.

1.3 Presentation currency

These financial statements are presented in Australian dollars rounded to the nearest dollar. The branch functional currency is Australian Dollars as the branch is financed and managed in Australia even though the primary economic environment it operates in is New Zealand.

2. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

2.1 Foreign currency transactions

Transactions in foreign currency transactions that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the balance date, are translated to Australian Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation, when settled subsequent to balance date, are recognised in the statement of profit or loss and other comprehensive income.

2.2 Goods and Services Tax

All balances are presented net of goods and services tax (GST), stamp duty and fire service levies, except for receivables and payables which are presented inclusive of GST.

2.3 Revenue

Premium Revenue

Direct premium revenue comprises amounts charged to policyholders. The earned portion of premiums receivable, including unclosed business, is recognised as income. Premium is earned from the date of attachment of the risk, over the contract period based on the pattern of the risks underwritten.

Other Income

Other income consists of revenue generated through the training division of Pacific International Insurance Pty Ltd - New Zealand Branch.

2.4 Reinsurance
The Branch is covered by the Reinsurance policies taken out by the Australian corporate entity. There has been no apportionment of the reinsurance expense taken out by the Australian corporate entity because of the expected immateriality of the charge.

2.5 Expenses

Claims Expense

Claims expense represents payments made on claims and the movement in the outstanding claims liability as described below under outstanding claims liability.

Operating lease payments
Payments made under operating leases, including any lease incentives, are recognised in the profit or loss on a straight line basis over the term of the lease.

Finance income and expenses

Finance income comprises interest income. Interest income is recognised as it's accrued, using the effective interest rate method. Finance expenses comprise interest income on bank borrowings, unwinding of the discount on provisions.

2.6 Income taxation
The income tax expense or credit for the year is the taxation payable on the current year's taxable income adjusted for changes in deferred taxation assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and the carrying amounts in the financial statements and changes in any unused taxation losses.

Deferred income tax is provided in full and is recognised on temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Where an item, which gives rise to a temporary difference, is recognised in or against equity, the deferred income tax is also recognised against equity.

2.7 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

2.8 Property, plant and equipment

Owned assets

Plant and equipment is stated at cost, less accumulated depreciation and impaired losses.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense in the statement of profit or loss and other comprehensive income in the period the cost has been incurred.

Depreciation

Depreciation is charged over the estimated useful life to the profit or loss. The residual value of assets is reassessed annually. The following rates have been used

- Furniture and Fittings	11-67% diminishing value basis
- Computer Equipment	26-50% diminishing value basis
- Motor Vehicles	30-36% diminishing value basis

2.9 Non derivative financial instruments

Non derivative financial instruments comprise investments, trade and other receivables, related party receivables, loans to shareholders, loans to other related parties, cash and cash equivalents, term loans and related party payables, including head office account payable.

Non-derivative financial assets except for investments are classified as loans and receivables.

Investments are initially recognised at fair value with the transaction costs being expensed in profit or loss. Subsequent to initial recognition investments are valued at fair value with changes in fair value recognised in profit or loss. Fair value of government stock is established by reference to quoted bid prices. Interest income is recognised in profit or loss as earned.

Other non-derivative financial instruments are recognised initially at fair value plus any attributable transactions costs. Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

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

2.10 Trade Receivables

Trade receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, trade receivables are measured at amortised cost less any impairment.

2.11 Impairment

Assets that have an indefinite useful life are not subject to amortisation and are reviewed at each balance date to determine if there is any indication of impairment. If any such impairment exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

2.12 Payables

Trade payables and other accounts payable are recognised when the Branch becomes obliged to make future payments resulting from the purchase of goods and services.

2.13 Outstanding claims liability

Outstanding claims liabilities are recognised when contracts are entered into or acquired and loss events have occurred and are based on the estimated ultimate cost of the claims incurred but not settled at the year-end date, together with related claims handling costs.

The Company's insurance products provide cover on a 'claims made' basis rather than on an 'occurrence' basis and therefore a claim must be notified to the Company before it is incurred.

A central estimate is made of the present value of claims reported but not paid and incurred but not enough reported. A risk margin is added to this central estimate to allow for the inherent uncertainty in the central estimate.

Delays can be experienced between the notification and settlement of certain types of claims, therefore the ultimate cost of these claims cannot be known with certainty at the balance date. The liability is calculated at the reporting date using projection techniques based on historical data, trends and current assumptions. The liability is discounted for the time value of money, where material using the risk free government stock rate. Changes in claims that have been notified, but which have not been settled, are reflected by adjusting the liability. The liability is derecognised when the claim is discharged or withdrawn.

2.14 Acquisition costs

Acquisition costs incurred in obtaining and recording insurance contracts are deferred in recognition that they represent future benefits. Deferred acquisition costs are only recognised if they can be reliably measured and are expected to give rise to future benefits. Deferred acquisition costs are amortised over the expected pattern of the incidence of risk under the insurance contract.

2.15 Unearned premium reserve and liability adequacy testing

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

A liability adequacy test is performed to assess whether there are any deficiencies in the unearned premium reserve due to expected future claims. The amount of these expected future claims is estimated using the present value of future claims and expenses plus an additional risk margin to reflect the inherent uncertainty in those cash flows. This is compared to the unearned premium reserve and deferred acquisition costs. Any deficiency is recognised in the statement of profit or loss and other comprehensive income after first writing down any deferred acquisition costs. Any additional amount is recognised in the balance sheet as an unexpired risk liability.

The liability adequacy test is performed at the level of portfolio contracts that are subject to broadly similar risks and are managed together as a single portfolio. No deficiency was recognised in 2016

2.16 Employee Benefits

The Company only provides short term benefits to its employees. The short term benefit obligations are measured on an undiscounted basis and are expensed as the relative service is provided.

2.17 Insurance risk and sensitivity

The Branch has insurance contracts which transfer insurance risk from the policyholder to the Branch. The insurance risk taken on by the Branch is the possibility that an insured event occurs when that event will occur and the uncertainty surrounding the amount of any resulting claim. The Branch has estimated in these financial statements the likely amounts which are expected to be paid out both with respect of claims incurred and expected future claims. The Branch is however still at risk that the carrying amounts of insurance liabilities and assets recognised in the financial statements will be exceeded by the amount of the actual claim. This could occur when there are more claims than expected or where a claim is greater than the severity expected.

The Branch's objective is to minimise this insurance risk to within acceptable levels through the policies which manage its insurance risk. The Branch's policies to manage this risk include the diversification of risk. The Branch has developed an underwriting strategy which diversifies the types of insurance contracts written. Within each type of insurance written the Branch's policy is to ensure that there is a sufficient volume of contracts to reduce the variability in the expected outcome. The Company also cedes reinsurance which includes the Branch's insured risks. The reinsurance programme is an excess of loss arrangement whereby cover is provided on the basis of claims notified on policies issued or renewed during the period of cover.

2.18 Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements and estimates with respect to assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

2.19 Application of new and revised Accounting Standards

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Branch.

A number of revised accounting standards have been published and are mandatory for the Branch's accounting periods subsequent to 30 June 2016 and the Branch has decided not to early adopt. When adopted in future periods these accounting standards are not expected to have a material impact on the Branch's results or financial position, however, they may have an impact on disclosures.

3. Risk management policies and procedures

The Branch's operations are exposed to a number of key risks including financial and insurance risk. The Branch's policies and procedures in managing these risks are set out below.

The Branch's financial condition and operating activities are affected by the following core risks - strategic, balance sheet and market, liquidity, solvency, counterparty, insurance, concentration, operational, contagion and governance risk.

(i) Risk Management roles and responsibilities

The Company's Board has the responsibility for setting and maintaining an appropriate risk management framework and risk appetite for the New Zealand Branch. Management has implemented risk management policies, procedures and controls to manage the risk and regularly reports to the Board Audit Committee and the Board on the current status of the risk management framework.

The key risks addressed by the risk management framework include:

Strategic risk - the risk of internal or external events impacting on the Branch leading to failed business, policyholder or shareholder objectives.

Balance sheet and Market risk - the risk arises from adverse movements in; interest rates in New Zealand and Australia, foreign exchange rates and general market volatilities and its impact on the market value of the company's assets and liabilities.

Liquidity risk - the risk that the Branch will not be able to meet its cash flow requirements in the future. Liquidity risk arises from the requirement to settle claim payments and other financial obligations in the timely manner.

Solvency risk - the risk that the Branch has insufficient assets to meet its regulatory requirements or to maintain its ongoing business operations.

Counterparty risk - the risk that one party to a financial instrument will cause a financial loss to the Branch. Credit risk rises from receivables due from policy owners and investments in financial instruments.

Insurance risk - The risk associated with inadequate underwriting guidelines or claims processes including the risks that arise through the group's reinsurance arrangements.

Concentration risk - the amalgamation of risks held by the Branch to a particular counterparty, geographic region or industry.

Operational risk - the risk of loss resulting from inadequate or failed internal processes, people,systems or from external events.

Governance risks - the risk of loss to the Branch from ineffective control or oversight of its operations at management and board level leading to inadequate decision making processes.

Contagion risk - The risk arising from the failure or inability of a related party to provide services as required by the Branch.

(ii) The objectives for managing risk

The Branch's policies and procedures, processes and controls are designed to manage risk. These systems address all material risks, financial and non-financial likely to be faced by the Branch. The Board, aided by the Board Risk Committee and the Board Audit Committee, directs and monitors implementation, practice and performance throughout the organisation. The Branch has adopted the AS/NZS ISO 31000:2009 Standard Approach to Risk Management.

The process involves establishing the context of the risk and risk assessment through:

- Identification of the risk;
- Analysing and evaluating the risk;
- Implementing controls to mitigate or reduce the risk to within Board risk appetite;
- The monitoring of risk performance against set target measures;
- And to communicate and obtain advice from internal and external stakeholders at each stage of the risk management process.

Key processes and controls used to mitigate any identified risks are:

- Well established policies, procedures and controls around the acceptance, underwriting and pricing of insurance risks;
- Maintenance and use of computer systems to provide up to date and realiable information on the risks that the Branch is exposed to;
- Use of reinsurance to preserve the Branch's capital by reducing the Branch's exposure to the costs of large claims;
- Strong processes around the development and approval of new product proposal with approval required from the Board of Directors;
- Investment that ensures that the Branch's funds are invested with secure financial institutions
- Use of an external internal auditor, reporting to the Board Audit Committee to review compliance with Board approved policies; and
- Board appointed external actuary involved on both the pricing of new products and the establishment of claims reserves.

Terms and conditions of insurance policies

The terms and conditions attaching to insurance policies affect the level of risk accepted by the Branch. There are no spelcal terms and conditions in any non standard contracts that have a material impact on the financial statements.

3. Risk management policies and procedures, continued

Concentration of risk

The Branch's exposure to concentrations of insurance risk is mitigated by diverse geographical location of the risks underwritten.
The reinsurance policies purchased minimise the exposure of the Branch to large claims losses.

(iii) Credit Risk

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

4.Fair Value

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

5. Premium	**2016**	**2015**
Comprises:		
Gross written premium	108,781	102,791
Change in unearned premium reserve	8,682	(2,423)
Earned Premium	117,463	100,368

6. Other underwriting expenses	**2016**	**2015**
Included in other underwriting expenses are:		
Corporate restructure costs	-	3,938
Salaries & wages	78,407	55,924
Taxation services provided by Deloitte	-	26,630
Office rent & occupancy costs	32,082	35,380
Depreciation	14,523	7,542
Corporate Subscriptions & Rating Fee	4,755	16,445
Other costs	40,097	35,850
Total other underwriting expenses	169,864	181,709

The branch is only in existence for the purpose of supporting the underwriting activity in New Zealand. As such as expenses incurred with the operating of the Branch are considered to be underwriting by nature excluding costs of providing training.

7. Claims Expense

	2016	**2015**
Claims expense	34,041	(7,719)

Current year claims relate to risks borne in the current financial year. Prior year claims relate to risks accepted in relation to previous financial years since policy retroactive dates on transfers.

Discounted	Current year	Prior years	Total	Total
Net Claims incurred				
2016	34,041	-	34,041	34,041
2015	18,235	(25,954)	18,235	(7,719)

Undiscounted	Current year	Prior years	Total	Total
Net Claims incurred				
2016	34,730	-	34,730	34,730
2015	18,235	(25,954)	18,235	(7,719)

8. Interest Income	**2016**	**2015**
Interest Income on Government Stock	-	19,984
Interest Income on Other investments	1,564	28,688
	1,564	48,672

9. Taxation	**2016**	**2015**
9.1 Reconciliation of income taxation to prima facie tax payable		
Loss before taxation	(61,786)	(134,000)
Other comprehensive income	-	-
Profit and comprehensive income before income/(loss) taxation	(61,786)	(134,000)
Permanent differences:		
Non deductible expenses	-	8,085
Foreign Exchange impact on financial assets	-	103,231
Tax loss recognised as deferred tax	-	5,087
Other	-	17,597
Profit subject to taxation	61,786	-
Taxation at 28%		
Current taxation	-	-
Deferred Taxation	(398)	(1,546)
Income taxation recognised in statement of profit or loss and other comprehensive income	(398)	(1,546)

9.2 Income taxation expense/(credit)	**2016**	**2015**
Estimation of current year tax assessment	-	-
Deferred Taxation	(398)	(1,546)
	(398)	(1,546)

10. Deferred taxation	**2016**	**2015**
Deferred taxation assets are attributable to:		
Employee benefits	10,854	9,578
Transfer of current year loss to deferred taxation	-	1,424
Deferred taxation assets	10,854	11,002
Deferred taxation liabilities are attributable to:		
Deferred Acquisition costs	713	1,259
Deferred taxation liabilities	713	1,259
Net deferred taxation asset	10,141	9,743
Movements during the year		
Deferred taxation assets		
Balance at beginning of year	11,002	8,989
Profit or Loss	(148)	589
Taxation loss for the current year	-	1,424
Balance at the end of the year	10,854	11,002
Deferred taxation liability		
Balance at the beginning of year	1,259	792
Profit or Loss	(546)	467
Balance at the end of the year	713	1,259
Net deferred taxation asset at year end	10,141	9,743

11.Property, Plant and Equipment

Computer Equipment	**2016**	**2015**
Opening balance	1,026	3,237
Additions	-	-
Depreciation charge for year	(488)	(2,211)
Other adjustment	-	-
Closing Net Book Value	538	1,026

Furniture and Fittings	**2016**	**2015**
Opening balance	4,037	4,883
Additions	4,886	-
Depreciation charge for year	(2,479)	(846)
Closing Net Book Value	6,444	4,037

Motor Vehicles	**2016**	**2015**
Opening balance	11,391	15,876
Additions	45,662	-
Disposals	(10,939)	
Depreciation charge for year	(11,556)	(4,485)
Closing Net Book Value	34,557	11,391
Total Property, plant and equipment	41,539	16,454

12. Deferred acquisition costs	**2016**	**2015**
Deferred acquisition costs as at 1 July 2015	2,829	4,497
Acquisition costs deferred	5,996	4,063
Amortisation charged to income	(6,277)	(5,731)
Deferred acquisition costs at 30 June	2,548	2,829

13. Trade and other receivables

	2016	2015
Trade and other receivables	43,817	23,954
Prepayments	9,192	11,163
	53,009	35,117

There is no impairment charge against trade and other receivables in 2016. It is expected that all receivables will be recovered inside the next twelve months.

14. Cash and cash equivalents

	2016	2015
Bank Balances	39,120	229,833
Call deposits at banks	48,045	157,856
	87,165	387,689

The deposits at banks bear interest rates that range between 2.00% and 3.00% and are available on demand.

15.Trade and Other Payables

	2016	2015
Trade payables	28,844	12,540
Accruals	-	36,000
Staff annual leave	35,711	34,941
Other creditors	-	823
Total trade and other payables	64,555	83,304

It is expected that all payables will be settled in the next twelve months.

16. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

The analysis of financial assets and liabilities into their categories and classes is set out in the following table:

	Carrying Value 2016	2015
Financial Assets		
Cash and cash equivalents	87,165	387,689
Trade and other receivables	43,817	23,954
Related party receivables	426,270	239,526
Financial Liabilities		
Trade and other payables	64,555	83,304
Related party payables	5,015	26,512
Head office account	657,718	657,718

Credit Risk

The concentrations of credit risk are outlined by counterparty type below

	Carrying Value 2016	2015
Bank	87,165	387,689
Related party receivable	426,270	239,526
Trade receivables	43,817	23,954

(i) Credit quality of financial assets that are neither past due nor impaired.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

Credit exposure by credit rating
Cash Holdings:

	Carrying Value 2016	2015
AA+ to A-	87,165	387,689

Liquidity Risk

The maturity table, based on the contractual arrangements is presented below for the purposes of disclosing the cash flows that are expected to occur over the life of the Branch's financial assets and liabilities.

2016	Carrying value	Less than one year	One to two years	Three Years and greater than three years
Financial assets				
Banks	87,165	87,165	-	-
Related party receivable	426,270	-	426,270	-
Trade receivables	43,817	43,817		
Total financial assets	557,252	130,982	426,270	-
Financial liabilities				
Trade and other payables	64,555	64,555	-	-
Related party payable	5,015	5,015	-	-
Head office account	657,718	-	-	657,718
Total financial liabilities	727,288	69,570	-	657,718

Market Risk

The Branch's exposure to foreign currency risk was as follows:

	2016 NZD	2015 NZD
Bank	91,024	441,610

Sensitivity Analysis

Cash is interest bearing. Other related parties and the head office account are interest free. A movement in the market interest is expected to have little or no impact on profit.
The branch has an exposure to foreign exchange movements but it is not expected to have a material impact on profits as transactions are completed at the current exchange rates in the month the transaction occurs.

17. Outstanding claims liabilities

	2016	2015
Central estimate of outstanding claims liability	17,443	-
Claims handling costs	1,692	-
Discount	(527)	-
Risk margin	3,658	-
Total outstanding cliams liability	22,266	-

		2016	2015
Outstanding claims at 1 July			
Claims paid - prior			
Movement in discount			
Other movements	Prior Years		
	Current Year	22,266	
Total outstanding claims liability - 30 June		22,266	-

The outstanding claims liability is based on best available information at the time the financial statements are signed. Subsequent information or actions can affect the amount ultimately settled on a claim.

Assumptions adopted in calculation of general insurance liabilities.

The actuarial report was prepared by Tim Andrews , who is a Fellow of the Institute of Actuaries of Australia, and is employed by Finity Consulting Pty Limited. The Actuary is satisfied as to the accuracy of the data upon which the calculation of insurance liabilities has been made and is satisfied that the accounting provisions held in respect of the insurance liabilities are adequate.

The key assumptions which have the greatest effect on the net outstanding claims liabilities are:

	2016	2015
Inflation rate	Implicit	Implicit
Discount rate	1.7%	2.2%
Claims handling expense rate	10.0%	7.6%
Future loss ratios	25%-42%	25%-40%
Risk margin	15.9%	16.2%
Weighted average expected term to settlement	1.9 years	0 years

Process for determining the risk margin

The risk margin is determined by allowing for uncertainty taking into account the following:

(i) Independent risks, comprising variation in future claims costs due to the randomness inherent in the insurance process and random variation in the historical claims costs affecting the parameters selected for use in the actuarial models.
(ii) External systemic risk, comprising variation in future claims costs due to risks external to the modelling process, for example, catastrophic events or changes in the legislative environment
(iii) Internal systemic risk which represents variation in future claims costs due to the models not being fully representative of the underlying insurance process and due to errors in the data on which the models are based.

The risk margin is intended to achieve a provision which will have 75% probability of sufficiency.

Claims development

The following table shows the development of outstanding claims relative to the ultimate claims costs for the two most recent years

Central estimate of ultimate incurred claims	Lodged year (ended 30 June) Prior	2010	2011	2012	2013	2014	2015	2016	Total
At end of claim year							18,235	23,110	41,345
one year later							19,566		19,566
two years later					17,613	1,255			18,868
three years later				16,048	18,504				34,552
four years later			8,953	16,684					25,637
five years later		17,070	9,487						26,557
six years later	52,943	17,070							70,013
seven years later	52,943								52,943
Central estimate of ultimate incurrec	52,943	17,070	9,487	16,684	18,504	1,255	19,566	23,110	158,619
Payments to 30 June 2016	52,943	17,070	8,953	16,048	17,613	0	18,235	10,313	141,175

18. Unearned Premium liabilities

	2016	2015
Unearned premium liability transferred	56,277	58,700
Deferral of premium on contracts written during the year	(108,781)	(53,360)
Transferred premiums earned	117,463	50,937
Unearned premium liability June 30	64,959	56,277

Liability adequacy test

A liability adequacy test was performed on 30 June 2016. Test identified a surplus. The test were based on the following assumptions:

	2016	2015
Central estimate of the present value of expected future cash flows ($)	24,449	19,134
Component of the present value of expected future cash flows related to the risk margin ($)	4,262	3,942
The percentage risk margin adopted in determining the present value of expected future cash flows (%)	19.2%	23.4%
The probability of adequacy intended to be achieved through the adoption the risk margin (%)	75.0%	75.0%

19. Operating Leases

Leases as lessee

Non cancellable operating lease rentals are payable as follows:

	2016	2015
Less than one year	10,917	22,042
Between one and five years	1,819	10,333
	12,736	32,375

20. Head Office Account

	2015 Transferred 1-Aug-14
Fixed Assets	23,995
Investments	464,901
Cash & Cash Equivalents	3,302,998
Receivables	24,379
Taxation recoverable	250,141
Deferred taxation	8,197
Other Assets	41,847
Total Assets	4,116,458
Unearned Premium Reserve	58,700
Outstanding Claim Provisions	25,954
Creditors and Accruals	79,409
Other Liabilities	41,427
Total Liabilities	205,490
Head Office Account transferred on August 1 2014	**3,910,968**
Current year transactions	
Cash transferred to Head office	(3,253,250)
Head office account balance as at 30 June 2016	**657,718**

The opening balances represent the assets and liabilities acquired by the New Zealand Branch of the newly incorporated Australian company. The Head office account is used to provide Head Office funding to support the financial soundness of the Branch. The Head office account is repayable on demand. No interest is changed by the Company to the Branch on any outstanding balance.

21. Commitments

There are no capital commitments as at 30 June 2016.

22. Contingencies

There are no contingent liabilities as at 30 June 2016.

23. Credit Rating

Pacific International Insurance Pty Limited has received a financial strength rating of B++ (Good) with Stable outlook from AM Best on 1 April 2016. The credit rating is an indication of the Company's current and future claims paying ability.

24. Related Parties

a)Identity of related parties

Rapid Solutions Holdings Pty Ltd, Rapid Group Companies
The Branch has a related party relationship with it's Australian counterparts, Rapid Administration Pty Ltd, Rapid Solutions Pty Ltd, Rapid Training Pty Ltd and it's ultimate parent company Rapid Solutions Holdings Pty Ltd through their key management personnel, which are its shareholders, directors and executive officers.

Key Management Personnel
The key management personnel (KMP) of the Branch are those persons who have authority and responsibility for planning directing and controlling activities of the Branch, directly and indirectly. KMP includes some directors of the Company (executive and non executive) as well as executives of the Company whose roles have responsibilities that include the activities of the Branch.

b)Transactions and balances
Transactions during the year:

	2016	2015
Rapid Training Pty Ltd - Management Fee	55,000	56,512
	55,000	56,512

Outstanding balances; Assets/(Liabilities)	2016	2015
Rapid Administration Pty Ltd		
Related party receivables	421,215	239,526
The outstanding balance relates to a recharge of expenses incurred by the New Zealand Branch to Rapid Administration Pty Ltd. There is no fixed payment date however the related party receivables can be collected by the Branch when necessary.		
Rapid Solutions Pty Ltd		
Related party receivables	5,055	-
Rapid Training Pty Ltd		
Related party payables	(5,015)	(26,512)

25.Remuneration of Auditors

	2016	2015
Audit Services		
Paid to Deloitte Touche Tohmatsu, Sydney		
Audit and review of the annual financial statements	15,000	20,000
Audit of regulatory returns	-	-
	15,000	20,000
Other payments		
Taxation and group restructure fees	4,000	26,630

26. Reconciliation of profit after income taxation to net cash flows from operating activities

	2016	2015
Loss after income taxation	(61,388)	(132,454)
Add/(less) non-cash items		
Depreciation of property plant and equipment includes amortisation of intangibles	14,523	7,541
Revaluation of government stock including foreign exchange	-	78,869
	(46,865)	(46,044)
Add/(less) movements in assets and liabilities		
Decrease/(increase) in receivables	(17,892)	(212,914)
Decrease/(increase) in taxation recoverable	-	250,141
(Decrease)/increase in payables	(40,246)	(11,020)
(Decrease)/increase in unearned premium reserve	8,682	(2,423)
(Decrease)/increase in outstanding claims	22,266	(25,954)
(Decrease)/increase in deferred acquistion costs	282	1,668
(Decrease)/increase in deferred taxation	(398)	(1,546)
	(27,306)	(2,048)
Unrealised Foreign Exchange Gain (Loss) on Cash and Cash Equivalents	28,528	(24,172)
Net cash inflows/(outflows) from operating activities	(45,643)	(23,920)

27. Events occurring after balance date

The are no events after 30 June 2016 requiring disclosure in the accounts.

28. Capital management and solvency

The capital/solvency of the branch from a regulatory standpoint is included within that of the company in Australia.
The company aims to retain a sufficient level of capital to achieve a 2:1 solvency coverage ratio to maintain its claims paying ability.
The minimum capital requirement imposed by the Australian Prudential Regulatory Authority (APRA) is
$5,000,000. As at 30 June 2016 the Company had surplus capital of $8.018m above the APRA requirement.

Post migration the Minimum Solvency Capital requirement for the Company is outlined below.
As at 30 June 2016 the Company solvency margin is.

	2016 (000's)	2015 (000's)
Actual Solvency Capital	13,018	13,614
Minimum Solvency Capital	5,000	5,000
Solvency Margin	8,018	8,614

The methodology for determining the Solvency Margin is in accordance with the requirements of the
Prudential Standards for a General Insurance business as published by the Australian Prudential Regulation Authority.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the shareholders of Pacific International Insurance Pty Ltd - New Zealand Branch

We have audited the accompanying financial statements of Pacific International Insurance Pty Ltd - New Zealand Branch ("the Branch"), which comprise the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 2 to 16.

The Directors' Responsibility for the Financial Statements

The directors are responsible on behalf of the Branch for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and generally accepted accounting practice in New Zealand 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall 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.

Other than in our capacity as auditor, the firm has no other relationship with or interests in Pacific International Insurance Pty Ltd - New Zealand Branch.

Opinion

In our opinion the financial statements on pages 3 to 18 present fairly, in all material respects, the financial position of Pacific International Insurance Pty Ltd - New Zealand Branch as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and generally accepted accounting practice in New Zealand.

Deloitte.

Emphasis of Matter

The New Zealand branch is part of Pacific International Insurance Pty Ltd, which is incorporated in Australia. As described in Note 1, the assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying balance sheet and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 28 October 2016

Review of Actuarial Information contained in Financial Statements as at 30 June 2016

Pacific International Insurance Limited (NZ Branch)

October 2016

finity

28 October 2016

The Directors
Pacific International Insurance Pty Limited
C/- Murray Healey
PO Box 19 – 410
Avondale
Auckland
New Zealand

Dear Directors

Review of Actuarial Information contained in Financial Statements as at 30 June 2016

Finity Consulting Pty Limited (Finity) has been asked by Pacific International Insurance Pty Limited (Pacific) to carry out a review of the 30 June 2016 actuarial information contained in the financial statements and provide an opinion as to its appropriateness. Tim Andrews is an employee of Finity and is the Appointed Actuary to Pacific. Finity has no relationship with Pacific apart from the Appointed Actuary role. In 2016 we provided Pacific with advice in relation to a potential repatriation of capital.

Pacific's policy is to seek and adopt the advice of the Appointed Actuary in respect of the actuarial information contained in its financial statements. We confirm that the financial statements as at 30 June 2016 have been prepared in accordance with this policy, and as such this satisfies the requirements of the Act.

Having carried out our actuarial review nothing has come to our attention that would lead us to believe that the actuarial information contained in the financial statements for the New Zealand Branch of Pacific as at 30 June 2016 are inappropriate. No limitations were placed on us in performing our review, and all data requested was provided.

This review is being provided for the sole use of Pacific for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on the purpose for which it is intended.

Yours sincerely

T. Andrews

Tim Andrews

Anita Samu

Anita Samu

Fellows of the Institute of Actuaries of Australia

Sydney
Tel +61 2 8252 3300
Level 7, 68 Harrington Street
The Rocks, NSW 2000

Melbourne
Tel +61 3 8080 0900
Level 3, 30 Collins Street
Melbourne, VIC 3000

Auckland
Tel +64 9 306 7700
Level 5, 79 Queen Street
Auckland 1010

Finity Consulting Pty Limited ABN 89 111 470 270

finity.com.au / finityconsulting.co.nz

Review of Actuarial Information contained in Financial Statements as at 30 June 2016

Report Findings

1 Introduction

1.1 Scope

Finity Consulting Pty Limited (Finity) was engaged by Pacific International Insurance Pty Limited (Pacific) to undertake an actuarial review (AR) of actuarial information contained in Pacific's New Zealand Branch financial statements as at 30 June 2016 in accordance with New Zealand insurance prudential requirements. This advice has been prepared pursuant to our engagement letter dated 20 May 2016.

This report has been kept deliberately brief. We have endeavoured to conduct and document this AR in an efficient manner focussing on the core issues only. Additional information is contained in the Insurance Liabilities Valuation Report (ILVR), dated 30 September 2016. This report must be read in conjunction with the ILVR in order for it to be considered in its appropriate context.

1.2 Timing

Our review of the financial information has been conducted following the completion of the ILVR and prior to the registration of Pacific's financial statements under the Financial Reporting Act 1993. The completion of this report occurred after the audit signoff of the financial statements.

1.3 Compliance with Standards

This review and accompanying report has been conducted in accordance with Sections 77 (s77) and 78 (s78) of the Insurance (Prudential Supervision) Act 2010 (the Act) and the RBNZ Solvency Standard for Non-life Insurance Business dated December 2014 (the Solvency Standard).

This AR relates to the information contained in my ILVR and its use in Pacific's New Zealand Branch financial statements. The ILVR has been prepared in accordance with the New Zealand Society of Actuaries (NZSA) Professional Standard 30 (PS30) dated September 2014.

1.4 Relationship to Insurer

Finity is independent of Pacific and has no conflict of interest in undertaking this review. Finity has no relationship with Pacific apart from the Appointed Actuary role. In 2016 we provided Pacific with advice in relation to a potential repatriation of capital.

2 Review Detail

2.1 Review Requirements

The requirements of s77 and the Solvency Standard are for the Appointed Actuary to:

- review actuarial information contained in the financial statements
- consider the appropriateness of the use of actuarial information in the preparation of the financial statements
- review the solvency return.

Actuarial information includes the following items:

- premium liabilities
- net outstanding claims
- reinsurance and other recoveries
- application of the liability adequacy test
- level of deferred acquisition costs.

If it is the company's policy to seek the advice of the Appointed Actuary in respect of this information, and to always adopt that advice in respect of its financial statements, then this satisfies the review requirements in accordance with the terms of the Solvency Standard.

2.2 Findings

Pacific has sought my advice as Appointed Actuary in respect of the actuarial information contained in the financial statements as at 30 June 2016, and has adopted the advice provided.

Table 2.1 shows that there are no differences between the actuarial information presented in the ILVR and financial statements

Table 2.1 – Comparison of Actuarial Information (AU $000s)

	ILVR	Financial Statements
Premium Liabilities	29	29
Net Outstanding Claims Liability	22	22
Reinsurance Recoveries	Nil	Nil
Other Recoveries	Nil	Nil
Deferred Acquisition Costs	N/A	3

The level of deferred acquisition costs and application of the liability adequacy test were not explicitly documented in the ILVR. Hence we have done so below:

Table 2.2 – Liability Adequacy Test

	(AU $000s)
Derivation of premium available	
Unearned premium liability at 30 June	65
less Deferred acquisition costs at 30 June	3
Premium available to meet expected claims cost (A)	**62**
Derivation of expected claims cost	
Central estimate of expected future claims	24
Component of present value of expected future cash flows relating to the risk margin	4
Total expected provision related to future claims (B)	**29**
Derivation of deficiency in provision	
Deficiency in provision (max of 0 & B-A)	**0**
Basis for Risk Margin	
The percentage risk margin adopted in determining the present value of expected future cashflows (%)	19.2%
The probability of adequacy intended to be achieved through adoption of the risk margin (%)	75%

The expected cost of future claims for policies already written of $29,000 is lower than the premium reserves available to meet these claims of $62,000. As such no write-down of the Deferred Acquisition Cost is required. As such we confirm that the Liability Adequacy Test and conclusions drawn are consistent with our advice.

3 Conclusions and Opinion

3.1 Conclusions

In undertaking the valuation of the insurance liabilities upon which the actuarial information in the financial statements is based, as Appointed Actuary, I (either myself or with colleagues) have:

- reviewed the actuarial information contained within the financial statements
- reviewed the appropriateness of the data used and data reconciliations
- reviewed the appropriateness of the use of the actuarial information
- given suitable weight to all factors I consider material.

3.2 Opinion

Having carried out the actuarial review as described, nothing has come to our attention that would lead us to believe that the actuarial information used in the financial statements or the determination of Actual Solvency Capital for Pacific as at 30 June 2016 are inappropriate.

4 Reliances and Limitations

The AR is a review for appropriateness. Finity's advice must be read in conjunction with the ILVR and supporting valuation documentation in order for it to be considered in its appropriate context. In particular, we note it is not possible to put a value on technical liabilities with certainty. As well as difficulties caused by limitations on the historical information, outcomes remain dependent on future events, including legislative, social and economic forces. Although we have prepared estimates in conformity with what we believe to be the likely future experience, actual experience could vary considerably from our estimates. Deviations are normal and are to be expected.

Finity was provided with all Pacific financial and solvency information relevant for the purpose of that valuation and this review. We have relied on the accuracy and completeness of all data and other information (qualitative, quantitative, written and verbal) provided to us for the purpose of this review.

We have not independently verified or audited the data but did review the data for reasonableness and internal consistency. It should be noted that if any data or other information is inaccurate or incomplete, we should be advised so that our advice can be revised, if warranted.

This report is being provided for the sole use of Pacific for the purposes stated in Section 1. It is not intended, nor necessarily suitable, for any other purpose. This report should only be relied on by Pacific for the purpose for which it is intended.

This report may be released to the RBNZ and Pacific's auditors. This report will also be available for third parties as required by section 79 of the Act. Third parties, whether authorised or not to receive this report, should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Finity to the third party.

Any reference to Finity in reference to the contents of this report in any report, accounts or any other published document or any other verbal report is not authorised without our prior written consent.

Finity has performed the work assigned and has prepared this report in conformity with its intended utilisation by a person technically competent in the areas addressed and for the stated purposes only. Judgements about the conclusions drawn in this report should be made only after considering the report in its entirety, as the conclusions reached by a review of a section or sections on an isolated basis may be incorrect.

The report should be considered as a whole. Members of Finity staff are available to answer any queries, and the reader should seek that advice before drawing conclusions on any issue in doubt.

Appendix

A RBNZ Solvency Standard Extracts

130. The specified information for the purpose of the RBNZ solvency standard is:

(a) the Premium Liabilities as defined in this solvency standard;

(b) the Net Outstanding Claims Liability as defined in this solvency standard;

(c) the reinsurance and any other recovery asset(s) relevant to the Reinsurance Recovery Risk Capital Charge;

(d) any deferred acquisition cost or deferred fee revenue relevant to the Premium Liabilities; and

(e) any other information deemed by the appointed actuary to warrant actuarial review for the purpose of profit or solvency reporting.

131. If it is the licensed insurer's established policy to seek the advice of the appointed actuary in respect of part or all of this actuarial information and to always adopt that advice in its financial statements, then the advice from the appointed actuary to the licensed insurer satisfies the review requirements of this solvency standard.

132. In other circumstances the appointed actuary must undertake whatever additional work is necessary in order to complete the review for the purposes of this solvency standard.

133. The appointed actuary's review must cover:

- Net outstanding claims as per NZ IFRS 4 including:
  - central estimate of expected claims and recoveries;
  - discounting at a risk free rate;
  - allowance for claim handling expenses; and
  - a risk margin intended to provide the specified probability of sufficiency;
- Application of the Liability Adequacy Test; and
- The level of deferred acquisition cost in the financial statements after the application of the Liability Adequacy Test as detailed in paragraph 49.

134. Any adjustments arising as a result of the review in the above paragraphs must be incorporated into the solvency calculations.

135. The appointed actuary must use professional judgement to determine the extent of work required regarding the Liability Adequacy Test, considering the nature and size of the licensed insurer's business and the materiality of the risks involved. A full assessment would include comparison of:

- the relevant accounting provisions (unearned premium, deferred acquisition cost, deferred reinsurance expense, deferred reinsurance commissions, unexpired risk and the like); and
- the actuarial estimate of net premium liabilities comprising:

- determination of the appropriate assessment period for Premium Liabilities;
- central estimate of expected claims and recoveries;
- discounting at a risk free rate;
- allowance for policy administration and claim handling expenses;
- allowance for the cost of any future reinsurance (i.e. that has not yet been purchased) required to cover unexpired risks; and
- a risk margin intended to provide a 75% POS (or such higher percentage that may have been used).

136. Any adjustments arising as a result of this assessment must be incorporated into the premium liability adjustment.

Client Services Officer

We are seeking a motivated, client-focussed team member to join us in the role of Client Services Officer.

We are an industry leading underwriting agency based in Cardiff who provides technical, training and insurance support to the pest & weed control and building industries. We need your exceptional client service skills and administration experience to help grow our business and take it in new directions!

What we are offering:

- A friendly and supportive team environment
- Financial services compliance training - Tier 2 General Insurance
- Ongoing training and professional development
- A full-time role working 8.30am-5pm
- A convenient location in Cardiff with free onsite parking

What you will do in the role:

- Share management of a portfolio of insurance clients, including maintaining regular contact with clients and processing renewals
- Provide support to insurance clients, respond to enquiries and provide information on our insurance services
- Promote our broking, technical and training support services

What you need to be suitable (essential):

- Excellent client service skills, including communication, negotiation and problem-solving skills
- Demonstrated skills in adminstration
- Well-organised, able to prioritise work and take initiative

What you need to stand out (desirable but not essential):

- 3 years' experience in a client services role
- Experience in and/or knowledge of the insurance industry or pest control industry
- Good working knowledge of Microsoft Office programs such as Outlook & Access

Please submit your resume and a brief cover letter outlining your interest and addressing the above criteria to jobs@rapidsolutions.com.au by Wednesday 21 August 2013.

Internet Banking for Business

bnz

Beneficiary Details

Contact details

Name:	RAPID TRAINING PTY LIMITED	Rapid Admin Pty Ltd
Shortname:		
Address:	SUITE 1, 5 PAVILION PLACE CARDIFF NSW 2285 AUSTRALIA	

Bank details

Account Number	690791267	83 914 5141
BSB NO	AU082637	082 - 514
Bank:	National Australia Bank Limited AUSTRALIA	

Payment details

Default settings for beneficiary

Pay from:	02-0100-0754424-000
Fee Account	02-0100-0754424-000
Pay Correspondent Fees	No
Currency	AUSTRALIAN DOLLAR (AUD)

End of Report