Pinnacle Life Limited

Financial report
For the year ended 31 March 2017

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	31 March 2017 $	31 March 2016 $
Revenue and other income			
Premium revenue:			
- Gross premium income		11,346,943	10,745,597
- Gross reinsurance ceded		(5,756,761)	(5,674,518)
- Gross reinsurance profit share income		1,029,807	375,157
Net premium revenue		6,619,989	5,446,236
Interest income		101,976	148,311
Other income		-	427
Total revenue		6,721,965	5,594,974
Less: expenses			
Claims expense:			
- Claims expense		(2,933,824)	(3,820,944)
- Reinsurance recoveries		2,308,071	2,912,144
Net claims expense		(625,753)	(908,800)
Net movement in life insurance and reinsurance contract assets / (liabilities)	22	(1,960,609)	2,422,856
Underwriting and commission expense		(316,571)	(293,934)
Management fees	5	(38,012)	(456,339)
Advertising expense		(984,506)	(1,199,282)
Depreciation and amortisation expense	5	(343,167)	(178,343)
Employee benefits expense	5	(1,205,718)	(1,026,572)
Occupancy expense		(107,652)	(102,131)
Administrative expenses	5	(1,261,817)	(1,190,377)
Total expenses		(6,843,805)	(2,932,922)
Profit / (loss) before income tax expense		(121,840)	2,662,052
Income tax expense	6	(767,201)	(514,810)
Net profit / (loss) from continuing operations		(889,041)	2,147,242
Other comprehensive income for the period		-	-
Total comprehensive income		(889,041)	2,147,242

The accompanying notes form part of these financial statements.

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PINNACLE LIFE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	31 March 2017 $	31 March 2016 $
Assets			
Cash and cash equivalents	8	2,612,316	2,061,201
Receivables	9	1,910,833	452,335
Financial assets at fair value through profit and loss	10	2,474,000	2,412,813
Other assets	11	17,576	18,718
Life insurance contract assets	22	44,377,337	44,015,409
Property, plant and equipment	12	49,696	19,015
Intangible assets	13	603,118	613,467
Deferred tax assets	6	580,070	1,216,397
Total assets		52,624,946	50,809,355
Liabilities			
Payables	14	1,891,893	1,293,953
Provisions	15	107,030	76,351
Other liabilities	16	1,178,629	1,140,525
Liabilities ceded under reinsurance contracts	22	22,278,861	19,956,324
Deferred tax liabilities	6	1,869,928	1,739,054
Total liabilities		27,326,341	24,206,207
Net assets		25,298,605	26,603,148
Equity			
Share capital	17	20,425,523	20,425,523
Share based payments reserve	19	200,055	115,557
Retained earnings		4,673,027	6,062,068
Total equity		25,298,605	26,603,148

Signed on behalf of the board of directors, dated 21 July 2017

Director: Jane Perry

Director:

The accompanying notes form part of these financial statements.

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PINNACLE LIFE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Contributed equity $	Reserves $	Retained earnings $	Total equity $
Balance as at 1 April 2015		20,425,523	92,297	4,414,826	24,932,646
Profit for the year		-	-	2,147,242	2,147,242
Total comprehensive income for the year		-	-	2,147,242	2,147,242
Transactions with owners in their capacity as owners:					
Dividends		-	-	(500,000)	(500,000)
Share based payments	18	-	23,260	-	23,260
Total transactions with owners in their capacity as owners		-	23,260	(500,000)	(476,740)
Balance as at 31 March 2016		20,425,523	115,557	6,062,068	26,603,148
Balance as at 1 April 2016		20,425,523	115,557	6,062,068	26,603,148
Profit/(loss) for the year		-	-	(889,041)	(889,041)
Total comprehensive income for the year		-	-	(889,041)	(889,041)
Transactions with owners in their capacity as owners:					
Dividends		-	-	(500,000)	(500,000)
Share based payments	18	-	84,498	-	84,498
Total transactions with owners in their capacity as owners		-	84,498	(500,000)	(415,502)
Balance as at 31 March 2017		20,425,523	200,055	4,673,027	25,298,605

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	31 March 2017 $	31 March 2016 $
Cash flow from operating activities			
Premium receipts from customers		11,383,924	10,821,600
Reinsurance commission income		375,157	139,237
Reinsurance recoveries		1,530,891	3,202,488
Interest received		75,307	68,870
GST refunded		2,987	13
Payments to suppliers		(2,646,580)	(2,735,152)
Payments to employees		(1,090,540)	(986,372)
Payments to reinsurers		(5,753,333)	(5,637,408)
Claims paid		(2,290,375)	(4,063,554)
Management fees paid		(34,179)	(456,339)
Net cash provided by / (used in) operating activities	21	1,553,259	353,383
Cash flow from investing activities			
Proceeds from maturity of investments		2,412,813	589,546
Payment for property, plant and equipment		(37,939)	(698)
Payment for intangible assets		(403,018)	(617,611)
Payment for investments		(2,474,000)	(1,338,782)
Net cash used in investing activities		(502,144)	(1,367,545)
Cash flow from financing activities			
Dividends paid		(500,000)	(500,000)
Net cash (used in) / provided by financing activities		(500,000)	(500,000)
Reconciliation of cash			
Cash at beginning of the financial period		2,061,201	3,575,363
Net (decrease) / increase in cash held		551,115	(1,514,162)
Cash at end of financial period		2,612,316	2,061,201

The accompanying notes form part of these financial statements.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The Company is a for profit entity.

The principal activity of the Company is that of a life insurer.

The financial statements were authorised for issue by the directors on 21 July 2017.

(a) Basis of preparation of the financial report

Compliance with NZ IFRS and IFRS

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

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, as modified by revaluations for certain classes of assets and liabilities to fair value and life insurance contract liabilities and related assets to net present value as described in the accounting policies below.

(b) Comparatives

Where necessary, comparative information has been restated to conform with current year presentation. The changes have no material impact on the financial performance or financial position of the comparative period.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Functional and presentation currency

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

(d) Revenue

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

Premium revenue

Premiums on life insurance contracts are separated into their revenue and deposit components (if any). There are currently no contracts with a deposit component. Where policies provide for the payment of amounts of premiums on specific due dates, such premiums are recognised as revenue when due. Unpaid premiums are only recognised as revenue during the days of grace and are not recognised where policies are deemed to have lapsed at reporting date. Premiums received in advance of due date are deferred and carried as current liabilities in the statement of financial position as premiums in advance and amortised through the profit and loss over the period of the services provided under the insurance contract.

Reinsurance commission Income

Commission income is recognised through profit and loss when received from the reinsurer and with the determination of margin releases and life insurance contract assets / (liabilities) by the Actuary taking account of any repayments due to the reinsurer, the resultant movements in life insurance contract assets / (liabilities) recognised through the profit and loss offsets the upfront income recognition, with repayments to the reinsurer being amortised over the period of the contract.

Interest income

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

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

Fair value gains and losses

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

Other income

All other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, the revenue can be reliably measured and the right to receive the revenue has been established.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Expenses

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

Claims expense

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

Basis of expense apportionment

For the purposes of actuarial reserving, all operating expenses have been apportioned between policy acquisition and policy maintenance expenses. These are further explained under actuarial policies and methods.

(i) Policy acquisition costs

Acquisition costs are the fixed and variable costs of acquiring new business including commissions and similar distribution costs, costs of accepting, issuing and initially recording policies. Acquisition expenses are initially recognised through profit and loss. This expense in profit and loss is then offset by the recognition of movements in life insurance contract assets / (liabilities) through the profit and loss. The Actuary determines the life insurance contract assets / (liabilities) and the movements therein, taking account of any deferral and future recovery of acquisition costs which are capitalised by way of the movement in life insurance contract assets / (liabilities). These are then amortised over the period in which they will be recoverable, being recorded as part of movements in life insurance contract assets / (liabilities) through the profit and loss.

(ii) Policy maintenance expenses

Maintenance costs are the fixed and variable costs of administering policies subsequent to sale and maintaining the Company's operations such that they are sufficient to service in force policies. Maintenance costs include all operating and management costs other than acquisition and investment management costs. Maintenance expenses are recognised through profit and loss at cost in the period to which they relate.

Outwards reinsurance

Reinsurance agreements provide for indemnification of the Company by the reinsurer against significant loss or liability. Premiums ceded to the reinsurer under reinsurance contracts that transfer significant insurance risk to the reinsurer are recorded as an outwards reinsurance expense through the profit and loss and are recognised over the period of indemnity of the reinsurance contract. Reinsurance recoveries are recognised separately through the profit and loss when the related incurred claim is recognised.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Expenses (continued)

Other expenses

All other expenses are recognised as incurred in profit and loss on an accruals basis.

(f) Goods and services tax (GST)

As the Company is primarily in the business of providing life insurance services, the majority of income and expenditure is accounted for on a GST inclusive basis. The percentage of business income and expenditure on which GST is returned is 5.64% (2016: 5.64%).

(g) Income tax

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax (Continued)

Life insurance tax

From 1 July 2010, life insurers have been subject to a new tax regime, where two tax bases are maintained:

- the shareholder base which is subject to tax on life risk products (premium income less claims expense) and net investment income from shareholder funds; and
- the policyholder base which is subject to tax on net investment income from policyholder funds.

The life insurer pays tax on both bases at the prevailing corporate tax rate of 28%. As life insurers are taxed as a proxy for the policyholder, returns to policyholders are exempt.

Transitional provisions were included in the new regime which effectively maintain the historical tax treatment for most policies in force on 30 June 2010 for a period of five years to 30 June 2015. Under the previous tax regime, the life insurance base was subject to tax on investment income less expenses plus underwriting income, and tax was calculated on the policyholder base as benefits accrued to policyholders under the policies. The life insurer paid tax on the higher of the two bases at the prevailing corporate tax rate of 28%.

As the transition period ended on 30 June 2015, the new tax regime has been applied since 1 July 2015.

(h) Principles underlying the conduct of life insurance business

Classification

The life insurance operations of the Company comprise the selling and administration of contracts which are classified as insurance contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance.

Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. Any products that do not meet the definition of a life insurance contract are classified as life investment contracts. The Company only sells life insurance contracts.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Principles underlying the conduct of life insurance business (Continued)

Life insurance contract assets / (liabilities)

Life insurance contract assets / (liabilities) in the statement of financial position and the increase or decrease in life insurance contract assets / (liabilities) through the profit and loss have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No 20 – Determination of Life Insurance Policy Liabilities ('PS20') which prescribes the Margin on Services ('MoS') basis.

MoS is designed to recognise profits on life insurance policies as services are provided to policyholders and income is received. Profits are deferred and amortised over the life of the policy, whereas losses are recognised immediately. Policy services provided over the lifetime of a contract include the costs of expected claims and maintaining policies. Profit margins relating to the expected income from providing policy services for each of the major product groupings are used to defer and amortise the profit over the life of the policies. Typically renewal premiums are used as a 'profit carrier' to release profits as services are provided. Life insurance contract assets / (liabilities) are generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums.

MoS profit comprises the following components:

- *Planned margins of revenues over expenses*

At the time of writing a policy and at each balance date, best estimate assumptions are used to determine all expected future payments and premiums.

The difference between actual and assumed experience

Where actual experience replicates best estimate assumptions, the expected profit margin will be released to profit over the life of the policy. Experience profits or losses are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits or losses include variations in claims, expenses, mortality, discontinuance and investment returns. For example, an experience profit will emerge when the expenses of maintaining all in-force business in a year are lower than the best estimate assumption in respect of those expenses.

- *Changes to underlying assumptions*

Assumptions used for measuring policy assets / (liabilities) are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year, except for changes in discount rates which are recognised in the year that the rates are changed. The financial effect of all other changes to the assumptions underlying the measurement of life insurance contract assets / (liabilities) made during the reporting period, is recognised through the profit and loss over the future reporting periods during which services are provided to policyholders.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Principles underlying the conduct of life insurance business (Continued)

Life insurance contract assets / (liabilities) (Continued)

MoS profit comprises the following components: (Continued)

- *Loss recognition on groups of related products*

If, based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the total expected loss for that related product group is recognised through the profit and loss immediately. When loss making business becomes profitable previously recognised losses are reversed.

(i) Liabilities arising from reinsurance contracts

Policies arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of claims arising under the contracts is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be paid taking into account such factors as counterparty and credit risk.

(j) Provision for incurred claims

Provision has been made for estimated liabilities that arise from claims notified but not settled at reporting date. An allowance has been made for unknown net claims as at the reporting date. This allowance is based on the actual delay the company experiences between the date of death and the date of notification. This provision represents the current best estimate of the net claims incurred but not reported ('IBNR') as at the end of the month.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts (if any) are shown in current liabilities on the statement of financial position.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial instruments

Basis of recognition and measurement

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

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

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

Financial assets

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

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

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

If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the financial asset acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

Financial assets (Continued)

If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the financial asset acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

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

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

The Company's financial assets at fair value through profit or loss comprise a New Zealand Government Bond and term deposits with a New Zealand registered bank.

(ii) Held-to-maturity investments

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

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

(iii) Loans and receivables

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

The Company's loans and receivables comprise cash at bank and receivables.

(iv) Available-for-sale

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

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

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

Financial liabilities

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

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

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

(ii) Other financial liabilities

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

The Company's other financial liabilities comprise payables.

Impairment of financial assets

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. All assets are depreciated over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The carrying amount of property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Initial recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs

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

Depreciation

Depreciation is recognised in profit or loss over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Plant and equipment at cost	30.0% - 60.0%	Diminishing value
Furniture, fixtures and fittings at cost	10.0% - 25.0%	Diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:
- the Company's ability to measure reliably the expenditure attributable to the software under development;
- the software is technically and commercially feasible;
- the software's future economic benefits are probable;
- the Company's ability to use or sell the developed software; and
- the availability of adequate technical, financial and other resources to complete the software under development.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 3 to 5 years.

(o) Impairment of non financial assets

Non financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pretax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(q) Provisions

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

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

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

(r) Employee benefits

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows.

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

KPMG

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(ii) Superannuation plans

The Company pays contributions to superannuation plans, such as Kiwisaver. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based payments

The Company operates a equity-settled share-based compensation plan, under which the Company receives services from its Chief Executive Officer as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to:
- the fair value of the options granted and market performance conditions; and
- the impact of service and non-market performance vesting conditions.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. The Company recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. If an equity award is forfeited, for example, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed effective as at the date of forfeiture.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the CEO, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Share capital

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

Costs which are not directly attributable to the issue of new shares are shown as an expense and included in administrative expenses in the statement of comprehensive income.

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(t) Distributions

Dividends to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved but not distributed at reporting date.

(u) Statement of cash flows

The statement of cash flows has been prepared using the direct approach.

Cash flows from related party receivables and payables and borrowings have been netted to provide meaningful disclosure to better reflect the activities of party providing the funding.

The following are the definitions of the terms used in the statement of cash flows:

Operating activities - Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities - Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and of investments. Investments can include securities not falling within the definition of cash.

Financing activities - Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid (if any) in relation to the capital structure are included in financing activities.

(v) Adoption of new and amended accounting standards that are mandatory for first time adoption

No new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial period ended 31 March 2017 have been adopted.

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NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2017

The following standards and interpretations have been issued at the reporting date but are not yet effective:

NZ IFRS 9 *Financial Instruments*

NZ IFRS 9, *'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, *'Financial Instruments: Recognition and Measurement'*, that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

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

The adoption of NZ IFRS 9's is not expected to significantly impact the Company for the following reasons:

- the Company's financial assets include only those measured at amortised cost and those at fair value through profit and loss and their classification would not change under NZ IFRS 9; and
- the Company's incurred credit losses from financial assets have historically been insignificant and therefore would not be impacted under NZ IFRS 9.

The Company intends to adopt NZ IFRS 9 no later than the accounting period beginning on or after 1 April 2018.

NZ IFRS 16 *Leases*

NZ IFRS 16 will replace NZ IAS 17 Leases. NZ IFRS 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their Statements of Financial Position.

The main changes affect lessee accounting only – lessor accounting is mostly unchanged from NZ IAS 17.

NZ IFRS 16 introduces the following:

- Use of a control model for the identification of leases:

  This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

- Distinction between operating and finance leases removed:

  Assets (a right-of-use asset) and liabilities (a lease liability reflecting future lease payments) will now be recognised in respect of all leases, with the exception of certain short-term leases and leases of low value assets.

KPMG

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2017 (CONTINUED)

NZ IFRS 16 *Leases (continued)*

NZ IFRS 16 supersedes NZ IAS 17 and associated interpretative guidance.

The effective date is annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted, if NZ IFRS 15 *Revenue from Contracts with Customers* has also been adopted.

The adoption of NZ IFRS 16's is expected to result in the recognition of a right of use (ROU) asset and a lease liability for all leases that Company is a party to (*with the exception of certain short-term leases and leases of low value assets)*. Subsequent to intial measurement, the Company will depreciate the ROU asset based on NZ IAS 16 *Property, plant and equipment*, accrete the lease liability based on the interest method, using a discount rate determined at lease commencement and reduce the lease liability by lease payments made.

The Company intends to adopt NZ IFRS 16 no later than the accounting period beginning on or after 1 April 2019. The impact of NZ IFRS 16 has not yet been quantified and will be dependent on the leases that the Company is a party to as at the beginning of the comparative accounting period presented in the Company's financial statements for the year ended 31 March 2020.

IFRS 17 *Insurance contracts*

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

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

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

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

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NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of NZ IFRS, the Board of Directors and management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from the estimates, judgments and assumptions made by the Board of Directors and management.

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

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

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

(a) Life insurance contract assets / (liabilities)

Refer to note 22 for more detail on the valuation of the life insurance contract assets / (liabilities) judgments, estimates and assumptions applied.

(b) Current and deferred income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. Refer also note 6.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest forecasts of future earnings of the Company. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Refer also to note 6.

(c) Fair value of the equity instruments granted under share based arrangements

Refer to note 18 for more detail on the valuation of the Company's equity instruments for the purpose of share based payments, judgments, estimates and assumptions applied.

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NOTE 4: FINANCIAL RISK MANAGEMENT

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

(a) Credit risk;
(b) Liquidity risk;
(c) Market risk - interest rate risk;
(d) Market risk - fair value risk

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

The Company holds the following financial instruments:

	31 March 2017 $	31 March 2016 $
Financial assets		
Cash and cash equivalents	2,612,316	2,061,201
Receivables	1,521,683	452,335
Financial assets at fair value through profit or loss	2,474,000	2,412,813
	6,607,999	4,926,349
Financial liabilities		
Payables	1,891,893	1,277,544
	1,891,893	1,277,544

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NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

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

The Company's exposure to credit risk, or the risk of counterparties defaulting arises mainly from cash at bank, trade and other receivables, reinsurance receivables and term investments.

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

With the exception of the cash deposits (refer note 8), other financial instruments (refer note 10), and reinsurance receivables (refer note 9), the Company does not have any other material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company. Credit risk exposure in relation to cash deposits and other financial instruments is limited to institutions with minimum 'AA-' Standard and Poors credit ratings.

(i) Cash deposits (refer note 8)

Credit risk for cash deposits is managed by holding all cash deposits with high credit rating financial institutions (i.e. major registered New Zealand banks; ASB Bank Limited and BNZ Bank New Zealand Limited all with a Standard and Poors rating of 'AA-' 'outlook negative').

(ii) Trade receivables and other receivables (refer note 9)

Credit risk for trade receivables is managed by dealing exclusively with high credit rating counterparties. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The aging analysis of trade and other receivables is provided in Note 9. As the Company undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers throughout the New Zealand.

(iii) Reinsurance receivables (refer note 9)

Credit risk for reinsurance receivables is managed by dealing exclusively with 'A' rated or above (Standard & Poors) international reinsurers.

(iv) Other financial instruments (refer note 10)

Credit risk is managed for other financial instruments by dealing exclusively with 'A' rated or above (Standard & Poors) counterparties. The ASB Bank Limited term deposits have a Standard and Poors ratings of AA- 'outlook stable' (31 March 2016: AA- 'outlook negative').

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NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

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

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and and insurance contract assets/(liabilities) and managements expectation for settlement of undiscounted maturities.

31 March 2017	< 6 months	6-12 months	> 1 year	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Cash and cash equivalents	2,612,316	-	-	2,612,316	2,612,316
Receivables	1,521,683	-	-	1,521,683	1,521,683
Financial assets at fair value through profit or loss	2,474,000	-	-	2,474,000	2,474,000
Life insurance contract assets	1,645,355	1,638,797	41,093,185	44,377,337	44,377,337
Payables	(1,891,893)	-	-	(1,891,893)	(1,891,893)
Liabilities ceded under reinsurance contracts	(1,071,293)	(1,121,389)	(20,086,179)	(22,278,861)	(22,278,861)
Net maturities	5,290,168	517,408	21,007,006	26,814,582	26,814,582
31 March 2016					
Cash and cash equivalents	2,061,201	-	-	2,061,201	2,061,201
Receivables	452,335	-	-	452,335	452,335
Financial assets at fair value through profit or loss	-	2,412,813	-	2,412,813	2,412,813
Life insurance contract assets	1,054,266	1,092,630	41,868,513	44,015,409	44,015,409
Payables	(1,277,544)	-	-	(1,277,544)	(1,277,544)
Liabilities ceded under reinsurance contracts	(749,500)	(826,764)	(18,380,060)	(19,956,324)	(19,956,324)
Net maturities	1,540,758	2,678,679	23,488,453	27,707,890	27,707,890

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NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

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

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

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

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

31 March 2017

Financial instruments	**Interest bearing** $	**Weighted average effective interest rate**
Financial assets		
Cash	2,612,316	0.6 % Floating
Financial assets at fair value through profit and loss	2,474,000	3.6 % Fixed
	5,086,316	

31 March 2016

Financial instruments	**Interest bearing** $	**Weighted average effective interest rate**
Financial assets		
Cash	2,061,201	1.0 % Floating
Financial assets at fair value through profit and loss	2,412,813	3.4 % Fixed
	4,474,014	

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

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NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

Sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 100 basis point increase/decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	31 March 2017	31 March 2016
+ / - 100 basis points	$	$
Impact on profit before tax	50,863	44,740
Impact on equity	36,621	32,213

(d) Fair values compared with carrying amounts

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

Cash and cash equivalents

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

Trade and other receivables

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

Trade and other payables

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

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NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurement

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

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

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

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

	Level 1	Level 2	Level 3	Total
31 March 2017	**$**	**$**	**$**	**$**
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
- Term deposits - ASB Bank New Zealand	-	2,474,000	-	2,474,000
Total financial assets	-	2,474,000	-	2,474,000
31 March 2016				
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
- Term deposits - ASB Bank New Zealand	-	2,412,813	-	2,412,813
Total financial assets	-	2,412,813	-	2,412,813

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Year to 31 March 2017 $	Year to 31 March 2016 $
NOTE 5: EXPENSES			
Management fees:			
- Policy acquisition		29,459	353,663
- Policy maintenance		8,553	102,676
		38,012	456,339
Depreciation:			
- Plant and equipment	12	7,793	9,806
- Furniture and fittings	12	1,557	1,677
		9,350	11,483
Amortisation:			
- Computer software	13	333,817	166,860
Employee benefits:			
- Short term benefits		1,121,220	1,003,312
- Share based payments	20	84,498	23,260
		1,205,718	1,026,572
Administrative expenses:			
- Director fees	20	188,246	171,643
- Legal and accounting		115,618	178,122
- Actuarial		155,856	191,699
- Repairs and maintenance		90,984	94,991
- Remuneration of auditors, KPMG		138,206	143,771
- Impairment of computer software	13	77,457	-
- Regulatory charges		57,454	67,091
- Insurance		62,724	62,574
- Other consultants		140,232	100,039
- Other expenses		235,040	180,447
		1,261,817	1,190,377
Remuneration of auditors, KPMG for:			
- Audit of Company financial statements - current period		74,000	84,240
- Audit of Company financial statements - prior period		43,206	33,881
- Audit of solvency return		21,000	25,650
		138,206	143,771

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	Note	Year to 31 March 2017 $	Year to 31 March 2016 $
NOTE 6: INCOME TAX			
(a) Components of tax expense / (benefit)			
Current tax		-	-
Deferred tax		767,201	514,810
		767,201	514,810
(b) Prima facie tax payable			
The prima facie tax payable on profit before income tax is reconciled to the income tax (benefit) / expense as follows:			
Prima facie income tax payable on profit before income tax at 28.0%		(34,115)	745,375
Actuarial adjustments:			
- Grandfathering adjustment		(8,407)	(182,932)
- Expected death strain/premium loading profit		12,973	7,437
Reinsurance quota share related adjustments:			
- Repayment of reinsurance advance - non-deductible		165,565	163,654
- Reinsurance fees		(72,911)	(85,543)
Net movement in life insurance and reinsurance contract assets/(liabilities)		679,844	(119,134)
GST content of net premiums included in income		(95)	(684)
Non deductible expenses		24,347	7,326
Prior period adjustment		-	(20,689)
Income tax expense / (benefit) attributable to profit		767,201	514,810

	31 March 2017 $	31 March 2016 $
(c) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Employee benefits	18,769	10,178
Provisions	41,696	39,398
Tax losses recognised	519,605	1,166,821
Total deferred tax assets	580,070	1,216,397

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	Note	31 March 2017 $	31 March 2016 $
NOTE 6: INCOME TAX (CONTINUED)			
Deferred tax liabilities			
The balance comprises:			
Deferred acquisition costs		1,869,928	1,739,054
Total deferred tax liabilities		1,869,928	1,739,054

Deferred tax assets and liabilities are recognised to the extent that the realisation of the related benefit / outflow through future taxable income / expense is probable. The ability to utilise these tax losses depends on the generation of sufficient assessable income and the statutory requirement for shareholder continuity being met.

	Year to 31 March 2017 $	Year to 31 March 2016 $
(d) Deferred income tax expense / (benefit) included in income tax expense / (benefit) comprises		
Increase in deferred tax assets	636,327	(44,456)
(Decrease) / increase in deferred tax liabilities	130,874	559,266
	767,201	514,810

	Note	Year to 31 March 2017 $	Year to 31 March 2016 $
NOTE 7: IMPUTATION CREDIT ACCOUNT			
Opening balance		-	-
At reporting date		-	-

	Note	31 March 2017 $	31 March 2016 $
NOTE 8: CASH AND CASH EQUIVALENTS			
Cash at bank - on call		1,981,625	1,568,535
Cash at bank - other		630,691	492,666
		2,612,316	2,061,201

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	Note	31 March 2017 $	31 March 2016 $

NOTE 9: RECEIVABLES

CURRENT			
Reinsurance profit share receivable		1,029,807	375,157
Reinsurance recoveries receivable		840,000	62,820
Other receivables		41,026	14,358
		1,910,833	452,335

Aged analysis

Trade and other receivables ageing analysis at 31 March is:

	Gross 31 March 2017 $	Impairment 31 March 2017 $	Gross 31 March 2016 $	Impairment 31 March 2016 $
Not past due *	1,521,683	-	452,335	-
	1,521,683	-	452,335	-

* Receivables that are 'not past due' as those that are within trading terms of 0 to 30 days.

	Note	31 March 2017 $	31 March 2016 $

NOTE 10: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

CURRENT			
Financial assets at fair value through profit or loss			
Term deposit - ASB Bank New Zealand	(i)	2,474,000	2,412,813
Total financial assets at fair value through profit or loss		2,474,000	2,412,813

(i) Term deposit - ASB Bank New Zealand

As at 31 March 2017, the Company held, a $821,642 term deposit bearing annual interest rate of 3.60% per annum, maturing on 7 July 2017, a $328,531 term deposit bearing annual interest rate of 3.60% per annum, maturing on 11 September 2017 and a $1,323,827 term deposit bearing annual interest rate of 3.60% per annum, maturing on 5 September 2017 (2016: The Company held, a $801,321 term deposit bearing annual interest rate of 3.35% per annum, maturing on 7 October 2016, a $320,406 term deposit bearing annual interest rate of 3.35% per annum, maturing on 11 November 2016 and a $1,291,086 term deposit bearing annual interest rate of 3.35% per annum, maturing on 5 November 2016).

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	Note	31 March 2017 $	31 March 2016 $

NOTE 11: OTHER ASSETS

CURRENT			
Prepayments		2,818	2,096
GST receivable		14,758	16,622
		17,576	18,718

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment			
Plant and equipment at cost		92,178	47,361
Accumulated depreciation		(51,875)	(36,675)
		40,303	10,686
Furniture, fixtures and fittings at cost		16,887	14,266
Accumulated depreciation		(7,494)	(5,937)
		9,393	8,329
Total property, plant and equipment		49,696	19,015

	Note	Year to 31 March 2017 $	Year to 31 March 2016 $
(a) Reconciliations			
Reconciliation of the carrying amounts of property, plant and equipment			
Plant and equipment			
Opening carrying amount		10,686	19,794
Additions		35,318	698
Depreciation expense	5	(7,793)	(9,806)
Transfer from plant and equipment		2,092	-
Closing carrying amount		40,303	10,686
Furniture, fixtures and fittings			
Opening carrying amount		8,329	10,006
Additions		2,621	-
Depreciation expense	5	(1,557)	(1,677)
Closing carrying amount		9,393	8,329

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	Note	31 March 2017 $	31 March 2016 $
NOTE 13: INTANGIBLE ASSETS			
Computer software at cost		1,126,886	934,094
Accumulated amortisation and impairment		(523,768)	(477,844)
		603,118	456,250
Computer software under development at cost		-	157,217
Accumulated amortisation and impairment		-	-
Total intangible assets		603,118	613,467

	Year to 31 March 2017 $	Year to 31 March 2016 $
(a) Reconciliations		
Reconciliation of the carrying amounts of intangible assets		
Computer software		
Opening balance	456,250	141,927
Additions	560,234	481,183
Impairment	(77,457)	-
Amortisation expense	(333,817)	(166,860)
Transfer to plant and equipment	(2,092)	-
Closing balance	603,118	456,250
Computer software under development		
Opening balance	157,217	20,787
Additions	403,017	146,430
Transfer to computer software	(560,234)	(10,000)
Closing balance	-	157,217

(b) Impairment loss

Impairment losses in relation to intangible assets are included within administrative expenses in the statement of comprehensive income. The impairment loss for computer software during the year of $77,457 relates to computer software that was retired and replaced.

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	Note	31 March 2017 $	31 March 2016 $

NOTE 14: PAYABLES

	Note	31 March 2017 $	31 March 2016 $
CURRENT			
Trade creditors		731,466	785,626
Commissions payable		50,062	46,018
Claims payable		902,169	258,720
Other payables		208,196	203,589
		1,891,893	1,293,953

NOTE 15: PROVISIONS

	Note	31 March 2017 $	31 March 2016 $
CURRENT			
Other employee entitlements		67,030	36,351
Claims		40,000	40,000
		107,030	76,351

(a) Reconciliations

	Year to 31 March 2017 $	Year to 31 March 2016 $
Reconciliation of the carrying amounts of provisions		
Claims (current)		
Opening balance	40,000	26,000
Additional amounts recognised	-	14,000
Closing balance	40,000	40,000

NOTE 16: OTHER LIABILITIES

	Note	31 March 2017 $	31 March 2016 $
CURRENT			
Premiums received in advance		1,178,629	1,140,525
		1,178,629	1,140,525

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	Note	31 March 2017 $	31 March 2016 $
NOTE 17: SHARE CAPITAL			
Issued and paid-up capital			
7,689,514 (2016: 7,689,514) Ordinary shares	(a)	15,684,417	15,684,417
937,500 (2016: 937,500) Series A convertible preference shares	(b)	2,762,819	2,762,819
500,000 (2016: 500,000) Series B convertible preference shares	(c)	1,978,287	1,978,287
		20,425,523	20,425,523

Ordinary shares

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

Series A convertible preference shares

The Series A convertible preference shares have the following terms and rights:

- Each share has a par value of $3.20 per share;
- Each share will convert one for one to ordinary shares on conversion;
- Convertible at any time by the holder; by the Company only on occurrence of an IPO or successful trade sale;
- The holder can decline the offer to convert if the implied value is below $3.20 at the time that the conversion offer is made by the Company;
- Carry a fixed non-cumulative dividend of 32 cents per share (less dividend withholding tax), with the Company holding full discretion over the payment of the dividend;
- On a winding up of the Company they will rank for payment ahead of ordinary shares with regards to the Company's residual assets; and
- Carry no voting rights at meetings of the Company.

Series B convertible preference shares

The Series B convertible preference shares have the following terms and rights:

- Each share has a par value of $4.00 per share;
- Each share will convert one for one to ordinary shares on conversion;
- The holder can convert at any time, whereas the Company can only convert 5 years after the issue date of the Series B convertible preference shares, on occurrence of an IPO or successful trade sale;
- Carry a fixed non-cumulative dividend of 40 cents per share (less dividend withholding tax), with the Company holding full discretion over the payment of the dividend;
- On a winding up of the Company they will rank for payment ahead of ordinary shares with regards to the Company's residual assets; and
- Carry no voting rights at meetings of the Company.

NOTE 17: SHARE CAPITAL (CONTINUED)

	Note	Year to 31 March 2017 Number	Year to 31 March 2017 $	Year to 31 March 2016 Number	Year to 31 March 2016 $
(a) Ordinary shares					
Opening balance		7,689,514	15,684,417	7,689,514	15,684,417
At reporting date		7,689,514	15,684,417	7,689,514	15,684,417

	Note	Year to 31 March 2017 Number	Year to 31 March 2017 $	Year to 31 March 2016 Number	Year to 31 March 2016 $
(b) Series A convertible preference shares					
Opening balance		937,500	2,762,819	937,500	2,762,819
At reporting date		937,500	2,762,819	937,500	2,762,819

	Note	Year to 31 March 2017 Number	Year to 31 March 2017 $	Year to 31 March 2016 Number	Year to 31 March 2016 $
(c) Series B convertible preference shares					
Opening balance		500,000	1,978,287	500,000	1,978,287
At reporting date		500,000	1,978,287	500,000	1,978,287

NOTE 17: SHARE CAPITAL (CONTINUED)

Capital management

The Company considers its capital to comprise its ordinary share capital, accumulated retained earnings and solvency capital.

The Company's capital management objectives are to:

- Maintain an 'actual solvency capital' that exceeds the 'minimum solvency capital' requirements per the 'Solvency Standard for Life Insurance Business' issued by the Reserve Bank of New Zealand ('RBNZ') per the on-going licensing requirements of the Company's licence to carry on insurance business in New Zealand issued by the RBNZ 29 April 2013 under section 19 of the Insurance (Prudential Supervision) Act 2010 ('IPSA');
- Maintain a strong capital base to protect life insurance contract policyholders;
- Maintain a strong credit rating; and
- Ensure equity holder objectives are met, the primary of which is to ensure the Company's continued ability to provide a consistent return to its equity shareholders through a combinations of capital growth and distributions.

The Company manages its capital by considering the return on capital reported under the New Zealand equivalents to International Financial Reporting Standards and projections of the solvency capital margin.

In order to achieve these objectives the Company seeks to maintain gearing and solvency ratios that balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, or new share issue, the Company takes into consideration not only its short term position but also its long term operational and strategic objectives.

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

Refer to note 22 (g) and 23 for the Company's solvency capital disclosures required by the IPSA.

During the period ended 31 March 2017, the Company declared/paid dividends of:

- $Nil (2016: $Nil) to ordinary shareholders;
- 0.08 cents per share totaling $75,000 on each of 30 June 2016, 30 September 2016, 31 December 2016, and 31 March 2017 (2016: 0.08 cents per share totaling $75,000 on each of 30 June 2015, 30 September 2015, 31 December 2015, and 31 March 2016) to Series A convertible preference shareholders; and
- 0.10 cents per share totaling $50,000 on each of 30 June 2016, 30 September 2016, 31 December 2016, and 31 March 2017 (2016: 0.10 cents per share totaling $50,000 on each of 30 June 2015, 30 September 2015, 31 December 2015, and 31 March 2016) to Series B convertible preference shareholders.

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NOTE 18: SHARE BASED PAYMENTS

The CEO LTI Scheme

During March 2016, as part of the Company's Chief Executive Officer long term incentive scheme, the Company and the Company's Chief Executive Officer ('the CEO') executed a share based payment arrangement ('the CEO LTI Scheme') to enable the CEO to benefit from an appreciation in the share price of the Company through to 31 March 2018, provided certain service and performance conditions are met by the CEO. The execution of the CEO LTI Scheme cancelled and substituted, respectively, an earlier version of the CEO LTI Scheme executed in July 2015 and reinstated a version of the CEO LTI Scheme previously executed September 2014.

The CEO LTI Scheme is structured through a loan from the Company ('the Employee Loan') to the CEO, to be used solely for the purpose of purchasing ordinary shares ('LTI Shares') in the Company as consideration for the services the Company receives from the CEO. The CEO also has the option of purchasing a specified amount of LTI Shares outright *(i.e. without use of the Employee Loan)*.

While the Employee Loan remains outstanding, all dividends on the LTI Shares purchased by the CEO and all bonuses paid to the CEO must be applied to reducing the outstanding principal of the Employee Loan. The Employee Loan is interest free while the CEO is an employee of the Company. The Employee Loan is limited to the value of the LTI Shares at any point in time *(i.e. the liability under the Employee Loan will never exceed the amount drawn)*. As such the Employee Loan has recourse only to the LTI Shares *(i.e. not full recourse)* and the CEO LTI Scheme has been recognised as an equity settled share based payment transaction and treated as an option.

If the CEO ceases to be employed by the Company *(except in specified circumstances)* prior to 1 December 2017, all LTI Shares *(except those purchased without using the Employee Loan)* must be returned to the Company *(and in turn the Company must return all payments made on the Shares, including dividends and bonuses automatically applied to the Shares)*. If the CEO is still employed by the Company at 1 December 2017, the Shares being held in Trust are to be transferred to the CEO. If the CEO sells or otherwise transfers a portion of the Shares *(except those purchased without using the Employee Loan)* after 1 December 2017, an equivalent portion of the Employee Loan becomes immediately repayable.

There are nine tranches of options to be granted to the CEO which are conditional upon the CEO meeting the agreed performance conditions of each tranche. The first seven tranches will vest on 1 December 2017 and the last two tranches will vest immediately upon being granted on 31 March 2018.

As at 31 March 2017, tranches one and two had been taken up by the CEO and tranches three to five had either, not been taken up, or, the service and performance conditions had not been met (2016: tranches one and two had been taken up by the CEO and tranches three had either, not been taken up, or, the service and performance conditions had not been met). For the year ended 31 March 2017, a share based payments expense of $84,498 (2016: $23,260) recognised through the profit and loss which represents the expense in relation to tranche one and two share options.

Tranches six to nine share options are to be offered for issue between 31 March 2017 to 31 March 2018.

The fair value of the share options issued have been determined using a Black-Scholes share option valuation model. The significant inputs into the model were the Company's share price at grant date, the exercise price of the option, the expected term of the option, the expected volatility of Company's shares *(based on historic volatility of Company's shares)*, and the risk free interest rate for the term of the option *(based on the yield on the zero-coupon New Zealand government bond rate with a term similar to the award)*.

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NOTE 18: SHARE BASED PAYMENTS (CONTINUED)

The CEO LTI Scheme (continued)

The significant inputs into the model for share options issued to date were as follows:

	Tranche 1	Tranche 2	Tranches 3, 4 & 5
Share price at grant date	$3.68	$3.68	N/A*
Exercise price of the option	$3.20	$2.94	N/A*
Expected term of the option	5.58 years	5.00 years	N/A*
Volatility of shares	20.9%	20.9%	N/A*
Risk free interest rate	4.10%	3.23%	N/A*
Vesting date	1 December 2017	1 December 2017	N/A*
Expiry date	No expiry	No expiry	N/A*

* The tranche three, four and five share options were either, not been taken up, or, the service and performance conditions had not been met.

Reconciliation of movements in the number of share options and their related weighted average exercise prices under the CEO LTI Scheme:

		Year to 31 March 2017 Equity-settled share options Number	Year to 31 March 2017 Average exercise price per share option $	Year to 31 March 2016 Equity-settled share options Number	Year to 31 March 2016 Average exercise price per share option $
Opening balance		150,000	3.11	150,000	3.11
Granted					
- Tranches 1 and 2		-	-	-	-
- Tranches 3, 4 and 5		-	-	-	-
- Effect of dividends during the year	(i)	-	-	-	-
- Effect of bonuses during the year	(ii)	-	(0.08)	-	-
Closing balance		150,000	3.03	150,000	3.11

Of the 150,000 of share options outstanding at reporting date, none of the options were exercisable.

All dividends on the LTI Shares purchased by the CEO and all bonuses paid to the CEO must be applied to reducing the outstanding principal of the Employee Loan (as described above). The following was applied in reducing the outstanding principal of the Employee Loan during the year:

(i) No dividends were accrued on the LTI Shares purchased by the CEO during the year ended 31 March 2017 (2016: none).

(ii) A bonus of $19,000 was accrued to the CEO during the year ended 31 March 2017 (2016: $Nil). This bonus will not be paid out to the CEO and has been applied to reducing the outstanding principal of the Employee Loan. The effect of this bonus has been a reduction in the average exercise price per share option from $3.11 to $3.03 during the year ended 31 March 2017 (2016: none). The bonus amount payable (after tax and superannuation deductions) to the CEO will be recognised as a payable to the CEO untill the share options are exercised or forfeited.

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NOTE 19: RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	**Relationship**
Pinnacle Life Custodial Services Limited	Company shareholder
Jack Porus	Director and ultimate beneficial company shareholder
Noel Vaughan	Director and ultimate beneficial company shareholder
Michelle van Gaalen	CEO and ultimate beneficial company shareholder
Desmond Victor Shaw	Ultimate beneficial company shareholder
Brian van den Hurk	Ultimate beneficial company shareholder
Edwin Saul	Ultimate beneficial company shareholder
Leighton Smith	Ultimate beneficial company shareholder
Steven de Jong	Ultimate beneficial company shareholder
Bemrose Limited	Ultimate beneficial company shareholder, a company in which Noel Vaughan is a shareholder
Fifteen01 NZ Limited	Common ultimate beneficial shareholders , a company in which Edwin Saul and Steven de Jong are directors
Foote, Cone & Belding Limited	Employers of ultimate beneficial company shareholders, a company in which Des Shaw was a Senior Consultant and Brian van den Hurk is employed
Leighton Smith Productions Limited	Common ultimate beneficial shareholders, a company of which Leighton Smith is the sole director
The Glaister Ennor Partnership	Common ultimate beneficial owners (shareholders/partners), a Partnership in which Jack Porus is a partner.

Transactions

The Company undertook the following transactions with the above related parties during the year:

		Year to 31 March 2017 $	Year to 31 March 2016 $
Bemrose Limited			
- Management fees, consultant fees and directors fees		91,224	137,330
Fifteen01 NZ Limited			
- Software management services and management fees		38,012	458,070
Foote, Cone & Belding Limited			
- Advertising fees		-	352,295
Leighton Smith Productions Limited			
- Advertising fees		-	104,404
The Glaister Ennor Partnership			
- Legal fees and directors fees		98,136	82,862
Michelle van Gaalen			
- Share based payments	18	84,498	23,260
- Bonus applied to CEO LTI Scheme Employee Loan	18	19,000	-

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NOTE 19: RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

On 7 November 2014 and 31 March 2015, the Company issued the first and second tranches of share options under the the CEO LTI Scheme (refer note 18) to the CEO, the fair value of the share options granted as at 31 March 2017 was $200,055 (2016: $115,557).

Balances

The Company has the following receivable / (payable) balances with the above related parties as at year end:

	31 March 2017 $	31 March 2016 $
Bemrose Limited	(3,833)	-
Fifteen01 NZ Limited	-	(38,333)
Foote, Cone & Belding Limited	-	-
Leighton Smith Productions Limited	-	(46,000)
The Glaister Ennor Partnership	(963)	(2,197)
Michelle van Gaalen	(12,160)	-

No related party balances were impaired or written off during the year (2016: $Nil).

Shares held in trust for shareholders

Pinnacle Life Custodial Services Limited holds the following amounts of shares in trust for shareholders at reporting date:

	31 March 2017	31 March 2016
Ordinary shares - in trust for shareholders;	7,689,514	7,689,514
Series A convertible preference shares	937,500	937,500
Series B convertible preference shares	500,000	500,000
	9,127,014	9,127,014

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	Note	Year to 31 March 2017 $	Year to 31 March 2016 $
NOTE 20: KEY MANAGEMENT PERSONNEL COMPENSATION			
Key management includes the directors and the CEO of the Company.			
Compensation received by key management personnel of the Company			
- short-term employee benefits		380,002	395,409
- directors fees		188,246	171,643
- share based payments	18	84,498	23,260
- bonus applied to CEO LTI Scheme Employee Loan	18	19,000	-
		671,746	590,312

No other compensation was paid or payable to key management personnel of the Company.

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

Name	Appointment details
Jack Lee PORUS	Appointed 20 December 2012
Noel Edmund VAUGHAN	Appointed 17 January 2013
Andrew SPENCER	Appointed 23 January 2013
Michael MURPHY	Appointed 17 September 2015

The names of other key management personnel who have held office during the year are:

Name	Appointment details	Position
Michelle VAN GAALEN	Appointed 5 November 2014	Chief Executive Officer

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	Note	Year to 31 March 2017 $	Year to 31 March 2016 $
NOTE 21: CASH FLOW INFORMATION			
Reconciliation of cash flow from operations with profit after income tax			
Profit / (loss) from ordinary activities after income tax		(889,041)	2,147,242
Adjustments and non-cash items			
Amortisation	5	333,817	166,860
Depreciation	5	9,351	11,483
Impairment	5	77,457	-
Share based payments expense	5	84,498	23,260
Net movement in life insurance and reinsurance contract assets / (liabilities)	22	1,960,609	(2,422,856)
Current tax	6	-	-
Deferred tax	6	767,201	514,810
Changes in assets and liabilities			
(Increase) / decrease in receivables		(1,458,498)	63,338
(Increase) / decrease in financial assets at fair value through profit and loss		-	(88,783)
(Increase) / decrease in other assets		1,141	101,557
Increase / (decrease) in payables		597,940	(216,149)
Increase / (decrease) in provisions		30,680	16,940
Increase / (decrease) in other liabilities		38,104	35,681
		2,442,300	(1,793,859)
Cash flows from operating activities		1,553,259	353,383

NOTE 22: ACTUARIAL ANALYSIS

The Company's Actuary, Murray. A. Hilder, FIA, FIAA, FNZSA, has calculated the life insurance contract assets / (liabilities) and solvency margin for the Company.

The actuary is satisfied as to the accuracy of the data from which the life insurance contract assets / (liabilities) have been determined.

This note summarises the life insurance contract assets / (liabilities) and solvency margin of the Company, the assumptions made and the methods adopted for the calculation of the Company's life insurance contract assets / (liabilities) and solvency margin.

(a) Life insurance contract assets/ (liabilities)

Life insurance contract assets / (liabilities) are computed using statistical or mathematical methods, which were calculated for each contract. The computations are made by the Actuary on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

The key factors that affect the estimation of these liabilities and related assets are:

- the cost of providing benefits and administering these insurance contracts;
- mortality and morbidity experience on life insurance products;
- discontinuance experience, which affects the Company's ability to recover the cost of managing and acquiring new business over the life of the contracts.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these assets / (liabilities).

Details of specific actuarial policies and methods are set out in note 1.

(b) Assets and liabilities arising from reinsurance contracts

Assets and liabilities arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balances are reflective of the amounts that will ultimately be received or paid, taking into consideration factors such as credit risk and interest risk.

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NOTE 22: ACTUARIAL ANALYSIS (Continued)

	31 March 2017 $	31 March 2016 $
(c) Net life insurance contract and reinsurance contract assets / (liabilities)		
Future policy benefits	(62,641,274)	(79,535,392)
Future expenses	(13,880,343)	(13,955,949)
Future taxes	(14,608,601)	(17,192,011)
Future reinsurance	(22,278,861)	(19,956,324)
Future profit margins	(14,453,319)	(18,535,371)
Future premiums	148,090,947	171,495,078
Net life insurance contract and reinsurance contracts assets / (liabilities) (including deferred tax)	20,228,549	22,320,031
Deferred tax liability	1,869,928	1,739,054
Net policy liabilities (excluding deferred tax)	22,098,477	24,059,085

	Year to 31 March 2017 $	Year to 31 March 2016 $
(d) Reconciliation of gross life insurance contract assets / (liabilities)		
Balance as at the beginning of the period	42,276,355	44,166,491
New life insurance assets / (liabilities) acquired	2,400,873	3,096,737
Adjustment for experience differences	(2,169,819)	(4,986,873)
Gross Life Insurance Assets at the end of the period (including deferred tax)	42,507,409	42,276,355
Deferred tax liability	1,869,928	1,739,054
Gross Life Insurance Assets at the end of the period respectively (excluding deferred tax)	44,377,337	44,015,409
(e) Reconciliation of gross reinsurance contract assets / (liabilities)		
Balance as at the beginning of the period	(19,956,324)	(23,710,050)
(Increase) / decrease in liabilities ceded under reinsurance	(2,322,537)	3,753,726
Balance as at the end of the period	(22,278,861)	(19,956,324)

NOTE 22: ACTUARIAL ANALYSIS (Continued)

	Year to 31 March 2017 $	Year to 31 March 2016 $
(f) Analysis of life insurance contract results		
Planned profit margins	1,159,688	1,831,297
Income on liability	757,824	770,174
Investment earnings on assets in excess of policy liabilities	101,976	148,738
Effects of changes in discount rate	(2,188,293)	733,647
Other	46,965	(821,804)
Income tax expense	(767,201)	(514,810)
Net profit / (loss) after income tax arising from life insurance contracts	(889,041)	2,147,242

(g) Solvency requirements under the Insurance (Prudential Supervision) Act 2010

Separate to the life insurance contract assets / (liabilities) recognised in the financial statements, life insurance companies are required to maintain sufficient capital to meet solvency requirements. These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life insurance businesses. The methodology and bases for determining the solvency requirement are in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010.

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

The Company's actual solvency capital exceeds this minimum solvency capital requirement by $3,166,838 (2016: $1,794,952).

	31 March 2017 $	31 March 2016 $
(i) Actual solvency capital		
Actual solvency capital	23,990,417	24,648,284
(ii) Minimum solvency capital		
Minimum solvency capital	20,823,579	22,853,332
(iii) Excess solvency margin and solvency ratio		
Solvency margin	3,166,838	1,794,952
Solvency ratio	1.15	1.08

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NOTE 22: ACTUARIAL ANALYSIS (Continued)

(h) Summary of significant actuarial methods and assumptions - life insurance

(i) Life insurance contract assets / (liabilities)

The life insurance contract assets / (liabilities) have been determined in accordance with Professional Standard No.20 'Determination of Life Insurance Policy Liabilities' issued by the New Zealand Society of Actuaries. This standard requires that life insurance contract assets / (liabilities) be calculated on the basis of best estimate assumptions and in a way that allows for the release of planned margins as services are provided to policyholders.

- Valuation of life insurance contract assets / (liabilities)

Life insurance contract assets / (liabilities) comprise the amount required to pay the expected future benefits and expenses after receiving expected future premiums and investment earnings. The value of life insurance contract assets / (liabilities) may also include a component for profit margins on existing business that will be earned as services are provided to policy owners over the time the relevant policies are held with the Company. The Company incurs costs in selling new policies. New business selling costs (or acquisition costs) related to the acquisition of new business are recovered from premiums receivable in the future as long as the underlying policies are expected to be profitable.

- Methods used to value life insurance contract assets / (liabilities) - Projection method

The projection method uses expected cash flows (premiums, investment income, redemptions or benefit payments, expenses and profits) to establish the value of life insurance contract assets / (liabilities). The value of expected future premiums is deducted from the value of expected benefit and expense payments to arrive at the obligation to policy owners. Where the policy liability is determined by the projection method, actuarial standards require profit to be related to one or more financially measurable indicators of the provision of service (or related income) called 'profit carriers'. The profit carriers adopted for the related product groups are shown in the table below:

31 March 2017

Related product group	*Method*	*Profit carrier*
Transferred yearly renewable and level term	Projection	Gross premium
Office yearly renewable and level term	Projection	Gross premium
Online yearly renewable term	Projection	Gross premium
Stand Alone Serious Illness, Cancer, Income Protection and Accident yearly renewable	Projection	Gross premium
Funeral Policy	Projection	Gross claims

31 March 2016

Related product group	*Method*	*Profit carrier*
Transferred yearly renewable and level term	Projection	Gross premium
Office yearly renewable and level term	Projection	Gross premium
Online yearly renewable term	Projection	Gross premium
Stand Alone Serious Illness, Cancer and Accident yearly renewable	Projection	Gross premium
Funeral Policy	Projection	Gross claims

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NOTE 22: ACTUARIAL ANALYSIS (Continued)

(h) Summary of significant actuarial methods and assumptions - life insurance (Continued)

(ii) Disclosure of assumptions

The following table summarises the key assumptions used in the calculation of life insurance contract assets / (liabilities), together with notes on any significant changes in the assumptions:

Required assumption	Basis of Assumption	Significant Changes
Discount rates for life insurance contracts - all product groups	Risk free discount rates have been adopted for life insurance contracts where the benefits are not contractually linked to the performance of backing asset pools.The risk free discount rates have been determined based on the Treasury risk discount rates and the term of the contract liabilities.	The discount rates used: - 2017: 2.08% to 3.43% (2016: 3.00%)
Inflation - all product groups	Determined based on Treasury forecasts. (2016: Determined based on economists forecasts)	The inflation rates used: - 2017: 2.0% (2016: 2.0%)
Future renewal expense - for policies	Future renewal expense have been set based on experience analyses conducted by the Company as well as the Actuary's expectation of future expense levels, with an allowance for future inflation.	The future renewal expense used: - 2017: $185 (2016: $175)
Taxation rates	Rates of taxation have been set with regard to current tax laws.	Taxation rates used: - 2017: 28% (2016: 28%)
Mortality rates	Risk product mortality rates based on reinsurance rates smoker/non-smoker adjusted reinsurance expenses and margins	Mortality rates used: - Reinsurance rates for the particular related product group adjusted for expense, profit margins, and experience.
Discontinuances	Discontinuance rates have been assumed consistent with the Company's recent experience. Assumed discontinuance rates vary by related product group and vary according to the length of time business has been in-force.	Discontinuance rates have been adjusted in line with experience.
Surrender value	No policies have surrender values.	N/A
Participation	No policies participate in profits.	N/A

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NOTE 22: ACTUARIAL ANALYSIS (Continued)

(h) Summary of significant actuarial methods and assumptions - life insurance (Continued)

(ii) Disclosure of assumptions (Continued)

- Effect of changes in actuarial assumptions during the reporting period

Life insurance contract assets / (liabilities) include the value of future profit margins that are to be released over future reporting periods. The impact of assumption changes are absorbed by the future profit margins, provided sufficient future margins exist, such that there is no change in the life insurance contract assets / (liabilities) in the current period.

The life insurance contract asset / (liability) calculations include the use of published market yields, such as government bond rates. The changes in these yields do not represent actuarial assumption changes and they impact life insurance contract assets / (liabilities) values at reporting date.

The impact of the consecutive assumption changes in the current period on future profit margins in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at the valuation date) are shown below:

31 March 2017

Assumption/ Model Change	Change in future profit margins	Change in next period's planned profit	Change in current period's contract assets / (liabilities)	Change in current period's profit
	$	$	$	$
Model	(1,195,607)	6,319	(2,188,293)	-
Interest	(4,044,050)	(194,238)	(4,936)	-
Mortality	1,027,190	109,641	(406,603)	-
Discontinuances	890,573	42,713	37,695	-
Expenses	(306,297)	(21,251)	(42,859)	-
Taxation	-	-	-	-

31 March 2016

Assumption / Model Change	Change in future profit margins	Change in next period's planned profit	Change in current period's contract assets / (liabilities)	Change in current period's profit
	$	$	$	$
Model	-	-	-	-
Interest	-	-	-	-
Mortality	-	-	-	-
Discontinuances	(2,945,667)	(101,876)	(89,244)	(89,244)
Expenses	-	-	-	-
Taxation	(11,887,134)	(724,312)	(95,048)	(95,048)

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NOTE 22: ACTUARIAL ANALYSIS (Continued)

(h) Summary of significant actuarial methods and assumptions - life insurance (Continued)

(ii) Disclosure of assumptions (Continued)

- Effect of changes in actuarial assumptions during the reporting period (Continued).

Where the value of future profit margins is insufficient to absorb the assumption changes, the resulting losses are recognised in the current period via a change in the contract liability. These losses may be reversed in subsequent periods should experience improve.

The changes in the life insurance contract assets / (liabilities) due to assumption changes for the year ended 31 March ended 31 March 2017 were:

- Minor changes to the lapse rates for all groups before age 60, improved mortality for Office and Online and worse mortality for Funeral and increased renewal expenses.

The changes in the life insurance contract assets / (liabilities) due to assumption changes for the year ended 31 March 2016 were:

- A change to the lapse rates for all groups before age 60 and increases for transfer, office and online business after age 60, the reinsurance premium rate adjustment agreed with the reinsurer and the change to future tax.

The allowance for the life insurance tax basis and the end of the grandfathering arrangement is built into the valuation methodology.

Variable	Impact of movement in underlying variable
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and equity.
Interest rate risk	Depending on the profile of the investment portfolio, the investment income of the Company will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and equity depends on the relative profiles of assets and liabilities, to the extent that these are not matched.
Mortality rates	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims, increasing associated claims cost and therefore reducing profit and equity.
Morbidity rates	The cost of health-related claims depends on the incidence of policyholders becoming totally and permanently disabled or suffering serious illness. Higher than expected incidence would increase claim costs, reducing profit and equity.
Discontinuances	The impact of the discontinuance rate assumption depends on a range of factors including the type of contract and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on profit and equity. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates.

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NOTE 22: ACTUARIAL ANALYSIS (Continued)

(h) Summary of significant actuarial methods and assumptions - life insurance (Continued)

(iii) Sensitivity analysis

The liabilities included in the reported results are calculated using certain assumptions about key variables as disclosed above. Sensitivity analysis is conducted to assess the movements in any key variable will impact the profit and equity.

A change in actual experience relative to that expected will affect the period's expected profit and loss as follows:

For the period ended 31 March 2017 a 10% adverse change in respect of:

- Expenses decreases future margins by \$864,139 or \$75,259 (2016: \$877,460 or \$54,207) per annum and decreases profit and loss by \$135,245 (2016: \$127,368).
- Mortality decreases future margins by \$828,873 or \$67,357 (2016: \$1,074,910 or \$58,982) per annum and decreases profit and loss by \$187,502 (2016: \$151,903).
- Morbidity decreases future margins by \$143,900 or \$19,313 (2016: \$157,449 or \$7,812) per annum and decreases profit and loss by \$6,575 (2016: \$3,679).
- Discontinuances decreases future margins by \$4,232,132 or \$240,393 (2016: \$5,615,821 or \$240,195) per annum and increases profit and loss by \$42,336 (2016: \$36,007).

For the year ended 31 March 2017 a 1% adverse change in respect of interest rates of 1% (2016: interest rates from 3.0% to 4.0%) decreases the value of all future profit margins by \$1,192,584 (2016: \$1,740,225). The impact per annum is zero. It is important to note that this does not affect future expected profits other than from the unwinding of the discount rate and is not a sensitivity in the case of the Company. There would also be a decrease in profit and loss of \$2,158,837 (2016: \$2,778,764).

(iv) Solvency requirements

Separate to the life insurance contract assets / (liabilities) recognised in the financial statements, life insurance companies are required to maintain sufficient capital to meet solvency requirements.

These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life insurance businesses.

The methodology and bases for determining the solvency requirement are in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010.

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NOTE 22: ACTUARIAL ANALYSIS (Continued)

(h) Summary of significant actuarial methods and assumptions - life insurance (Continued)

(v) Life insurance risk

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insurance events are random and the actual number of claims and the amount of benefits paid will vary each period from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population to reduce the variability of the expected outcome. The Company manages insurance risk through underwriting strategy, claims handling, reinsurance arrangements and insurance contract terms and conditions.

The life insurance business of the Company involves a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders.

Insurance risks are controlled through the use of underwriting procedures and adequate premium rates and policy charges. Tight controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

- Underwriting management procedures

Underwriting is managed by a separate department with underwriting limits in place to enforce appropriate risk selection criteria. The Company provides appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually.

- Claims management procedures

Claims are managed through a dedicated claims team, with appropriate training and development of staff to ensure procedures are adhered to. Claims are managed to ensure timely and correct payment in accordance with policy conditions. Claims experience is reviewed regularly and appropriate actuarial reserves are established.

- Reinsurance management procedures

The Company holds appropriate reinsurance arrangements to limit exposure to individual and catastrophe risks. All reinsurance arrangements are approved by the Directors of the Company.

NOTE 22: ACTUARIAL ANALYSIS (Continued)

(h) Summary of significant actuarial methods and assumptions - life insurance (Continued)

(v) Life insurance risk (Continued)

- Terms and conditions of life insurance contracts

The nature of the terms of the insurance contracts written by the Company is such that certain external variables can be identified on which related cash flows for claim payments depend. The tables below provide an overview of the key variables upon which the amount of related cash flows are dependent.

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting future cashflows
Life insurance contracts with fixed and guaranteed terms (term life and disability including renewable term).	Guaranteed benefits paid on death, permanent and temporary disablement that are fixed and guaranteed and not at the discretion of the issuer.	Benefits, defined by the insurance contract are determined by the contract and not directly affected by the performance of underlying assets or the performance of the contracts as a whole.	Mortality, morbidity, lapses and expenses.

(vi) Concentration of insurance risk

The Company aims to maintain a portfolio of policyholders with a broad spread of insurance risk types, ages, sexes, occupation classes and geographical locations for the individual risk business. The Company uses reinsurance to limit the insurance risk exposure for any one individual.

NOTE 23: STATUTORY FUND

Pinnacle Life Limited ('the Company') established the Rimu Statutory Fund ('the RSF') on 1 May 2013. The RSF is the sole statutory fund held by the Company.

Pinnacle Life Limited operates solely in the life insurance business. The RSF relates solely to the life insurance business of the Company. All of the current and future policies are non-participating, risk based term insurance and are classified as "life policies" under section 84 of the Insurance (Prudential Supervision) Act 2010. None of the Company's policies are "investment-linked" in character and all of the Company's policies are similar in nature.

The Company's shareholders' access to the retained earnings of the RSF is restricted by the Insurance (Prudential Supervision) Act 2010. The Company shareholders' entitlement to monies held in the RSF is subject to the distribution and transfer restrictions on the Insurance (Prudential Supervision) Act 2010. Any distribution of the shareholders' capital or retained profits will only be made after advice from the Company's appointed Actuary is received regarding the effect of such a distribution. No distribution will be made if it would cause the solvency margin of RSF to drop below the minimum margin target set by the Company's Board, or if such distribution was otherwise in breach of Insurance (Prudential Supervision) Act 2010.

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NOTE 23: STATUTORY FUND (Continued)

	Shareholder Fund $	Rimu Statutory Fund $	Total $
Year to 31 March 2017			
Share capital			
Opening balance	1,396,106	19,144,974	20,541,080
Transfers between the Funds	-	-	-
Share based payments reserve	-	84,498	84,498
Closing balance	1,396,106	19,229,472	20,625,578
Retained earnings			
Opening balance	(500,965)	6,563,033	6,062,068
Operating profit / (loss)	3,306	(892,347)	(889,041)
Dividends paid	(500,000)	-	(500,000)
Closing balance	(997,659)	5,670,686	4,673,027
Solvency capital			
Actual solvency capital	270,141	23,720,276	23,990,417
Minimum solvency capital	1,351	20,822,228	20,823,579
Excess solvency margin	268,790	2,898,048	3,166,838
Excess solvency ratio	199.96	1.14	1.15
Year to 31 March 2016			
Share capital			
Opening balance	1,996,106	18,521,714	20,517,820
Transfers between the Funds	(600,000)	600,000	-
Share based payments reserve	-	23,260	23,260
Closing balance	1,396,106	19,144,974	20,541,080
Retained earnings			
Opening balance	(72,637)	4,487,463	4,414,826
Operating profit / (loss)	71,672	2,075,570	2,147,242
Dividends paid	(500,000)	-	(500,000)
Closing balance	(500,965)	6,563,033	6,062,068
Solvency capital			
Actual solvency capital	770,141	23,878,143	24,648,284
Minimum solvency capital	4,476	22,848,856	22,853,332
Excess solvency margin	765,665	1,029,287	1,794,952
Excess solvency ratio	172.06	1.05	1.08

NOTE 24: DISAGGREGATED INFORMATION

The disaggregated information for the Company's shareholder fund and sole statutory fund, the Rimu Statutory Fund ('the RSF') is presented below. The Company does not have any life-investment contracts on issue or any investment-linked business.

	Shareholder Fund $	Rimu Statutory Fund $	Total $
Year ended 31 March 2017			
Summary Income Statement Information			
Net premium income	-	6,619,989	6,619,989
Investment revenue	3,309	98,667	101,976
Net claims expense	-	(625,753)	(625,753)
Net movement in life insurance and reinsurance contract assets / (liabilities)	-	(1,960,609)	(1,960,609)
All other net income / (net expense)	(3)	(4,257,440)	(4,257,443)
Profit / (loss) before income tax expense	3,306	(125,146)	(121,840)
Income tax expense	-	(767,201)	(767,201)
Net profit / (loss) after income tax	3,306	(892,347)	(889,041)
As at 31 March 2017			
Summary Balance Sheet Information			
Assets			
Investments backing insurance policy liabilities	431,823	4,654,493	5,086,316
Life insurance contract assets	6,636	44,370,701	44,377,337
Other assets	-	3,161,293	3,161,293
Total assets	438,459	52,186,487	52,624,946
Liabilities			
Life insurance contract liabilities - reinsurance	-	22,278,861	22,278,861
Other liabilities	40,013	5,007,467	5,047,480
Total liabilities	40,013	27,286,328	27,326,341
Other items			
Dividends paid	(500,000)	-	(500,000)

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NOTE 24: DISAGGREGATED INFORMATION (CONTINUED)

	Shareholder Fund $	Rimu Statutory Fund $	Total $
Year ended 31 March 2016			
Summary Income Statement Information			
Net premium income	-	5,446,236	5,446,236
Investment revenue	71,679	76,632	148,311
Net claims expense	-	(908,800)	(908,800)
Net movement in life insurance and reinsurance contract assets / (liabilities)	-	2,422,856	2,422,856
All other net income / (net expense)	(7)	(4,446,544)	(4,446,551)
Profit / (loss) before income tax expense	71,672	2,590,380	2,662,052
Income tax benefit	-	(514,810)	(514,810)
Net profit / (loss) after income tax	71,672	2,075,570	2,147,242
As at 31 March 2016			
Summary Balance Sheet Information			
Assets			
Investments backing insurance policy liabilities	888,505	3,585,509	4,474,014
Life insurance contract assets	-	44,015,409	44,015,409
Other assets	6,636	2,313,296	2,319,932
Total current assets	895,141	49,914,214	50,809,355
Current liabilities			
Life insurance contract liabilities - reinsurance	-	19,956,324	19,956,324
Other liabilities	-	4,249,883	4,249,883
Total liabilities	-	24,206,207	24,206,207
Other items			
Dividends paid	(500,000)	-	(500,000)

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NOTE 25: CREDIT RATING

A.M Best rates Pinnacle Life Limited 'B' financial strength (outlook 'stable') and a bb+ issuer credit rating (outlook 'stable') at 2 February 2017.

The financial strength rating scale used by A.M. Best is:
- A++, A+ (Superior);
- A, A- (Excellent);
- B++, B+ (Good);
- B, B- (Fair);
- C++, C+ (Marginal);
- C, C- (Weak);
- D (Poor);
- E (Under Regulatory Supervision);
- F (In Liquidation); and
- S (Suspended).

	31 March 2017 $	31 March 2016 $
NOTE 26: CAPITAL AND LEASING COMMITMENTS		
(a) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	67,600	67,600
- later than one year and not later than five years	67,600	135,200
- later than five years	-	-
	135,200	202,800

Operating lease payments represent the future rentals payable for office space under the current lease. The office lease is for the three years to 31 March 2019.

(b) There were no other material commitments at reporting date (2016: $Nil).

NOTE 27: CONTINGENT LIABILITIES

There were no contingent liabilities at reporting date (2016: $Nil).

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NOTE 28: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date, a preference share capital dividend was declared prior to the finalisation of the Solvency Margin calculations, and the filing of the Insurer Solvency Return. Section 2.2, paragraph 28(i) of the Solvency Standard for Life Insurance Business 2014 requires a further deduction from capital of $125,000, reducing the Solvency Capital to $3,166,838 and the Solvency Ratio to 1.15 as shown in Note 22.

There has been no other matter or circumstance, which has arisen since 31 March 2017 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 March 2017, of the Company, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 March 2017, of the Company.

Independent Auditor's Report

To the shareholders of Pinnacle Life Limited

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Pinnacle Life Limited (the Company) on pages 1 to 59:

i. present fairly in all material respects the Company's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and

ii. comply with the New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

— the statement of financial position as at 31 March 2017;

— statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other services to the Company in relation to limited assurance engagement on the Company's annual insurer solvency return. Subject to certain restrictions, partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.

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Other Information

The Directors, on behalf of the Company, are responsible for the other information included in the Company's Annual Report. Other information may include the Chairman and CEO report, Summary Financials and disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Use of this Independent Auditor's Report

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards.
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page6.aspx

This description forms part of our Independent Auditor's Report.

Paul Herrod

For and on behalf of

KPMG
Auckland

21 July 2017

PINNACLE LIFE LIMITED

COMPANY DIRECTORY

Company Number:	4187258	
NZ Business Number:	9429030397248	
Nature of Business:	Life insurer, the underwriting of non-participating, risk based term life insurance including modest additional covers for accident, sickness and disability.	
Issued Capital:	7,689,514	Ordinary shares
	937,500	Series A convertible preference shares
	500,000	Series B convertible preference shares
Directors:	Jack Lee PORUS	(Appointed 20 December 2012)
	Andrew SPENCER	(Appointed 23 January 2013)
	Noel Edmund VAUGHAN	(Appointed 17 January 2013)
	Michael MURPHY	(Appointed 17 September 2015)
Registered Office:	27 Gillies Ave Newmarket, Auckland	
Website:	www.pinnaclelife.co.nz	
Statutory Fund:	Rimu Statutory Fund	
Actuary:	Murray. A. Hilder, FIA, FIAA, FNZSA	
Reinsurer:	Hannover Life Re of Australasia	
Bankers:	ASB Bank Limited Bank of New Zealand	
Solicitors:	Glaister Ennor	
Accountants:	Staples Rodway	
Auditors:	KPMG Auckland	

Auckland
14th July 2017

Private and Confidential

Michelle van Gaalen
Pinnacle Life Ltd
P.O. Box 1471
AUCKLAND

Dear Michelle

Appointed Actuary – Report Required under Section 78 of the Act

Section 78 of the Act specifies those matters that must be addressed, namely;

(a) I am the appointed actuary of Pinnacle Life Ltd; and

(b) I have reviewed the actuarial information contained in, or used in the preparation of, the financial statements of Pinnacle Life Ltd. The review has been carried out in accordance with the applicable solvency standard. For the avoidance of doubt, actuarial information means:

1) information relating to Pinnacle's calculations of premiums, claims, reserves, insurance rates, and technical provisions; and
2) information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur; and
3) information specified in an applicable solvency standard as being actuarial information for the purposes of this section; and

(c) The scope and limitations of the review are attached to this report as Appendix A; and

(d) I have a relationship with Pinnacle as a policyholder; and

(e) I have obtained all information and explanations that I required; and

(f) In my opinion and from an actuarial perspective:

1) The actuarial information contained in the financial statements has been appropriately included in those statements; and
2) The actuarial information used in the preparation of the financial statements has been used appropriately; and

(g) No condition has been imposed under Section 21(2) (b) as at 31 March 2017; and

(h) No condition has been imposed under Section 21(2) (c) as at 31 March 2017.

Report prepared by: Murray Hilder MSc FNZSA FIA
Fellow of the New Zealand Society of Actuaries

Peter

Report reviewed and finalised by: Peter Davies B.Bus.Sc., FIA, FNZSA
Consulting Actuary

Appendix A

Reliances and Limitations

This report is provided to Pinnacle Life ("Pinnacle") as at 31 March 2017 for the purpose of Section 78 of the Insurance Prudential Supervision Act 2010.

The report should not be used for any purpose other than that stated above. This report should not be reproduced or supplied to any other party other than the Auditors and the Reserve Bank of New Zealand without first obtaining my written consent. I accept no responsibility for any reliance that may be placed on the report, should it be used for any purpose other than that set out above, and in any event will accept no liability in respect of its contents to any party other than Pinnacle.

The processes and calculations made to produce the results in this report are based on representations and information supplied to me by Pinnacle. In the course of carrying out my work I performed some data validation checks but have not carried out anything in the nature of an audit. Accordingly, I express no opinion on the total reliability, accuracy or completeness of the information provided to me and upon which I have relied. I have no reason to believe that the information provided to me is inaccurate or misleading.

This report should be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other.

For the purposes of professional regulation my primary professional regulator is the New Zealand Society of Actuaries.