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Approval of Annual Report

The Directors are pleased to present the annual report, including the financial statements of Partners Life Limited (the Company) for the year ended 31 March 2014.

The Shareholder of the Company has exercised its right under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Board of Directors



I S Knowles
Chairman of Directors
14 July 2014



J M G Perry
Chairman of the Audit and Risk Committee
14 July 2014

Company Directory

As at 31 March 2014

Nature of Business	The provision and administration of life insurance and related products, including trauma insurance, disability insurance, total and permanent disability insurance and major medical insurance.
Registered Office	Level 1, 33-45 Hurstmere Road Takapuna Auckland 0740
Company Number	3072505
IRD Number	105-332-366
Directors	N E Ballantyne C L Coon P Chrystall I S Knowles (Chairman from 1 April 2013) J M G Perry L W Jenkins (appointed 4 September 2013) B H Klap (resigned 17 September 2013)
Auditor	KPMG 18 Viaduct Harbour Avenue Auckland
Bankers	Westpac New Zealand Limited
Solicitors	Hesketh Henry 41 Shortland Street Auckland Chapman Tripp 23 Albert Street Auckland

Statement of Comprehensive Income

For the year ended 31 March 2014

In thousands of New Zealand Dollars

	Note	2014 \$000	2013 \$000
Premium revenue			
Premium revenue		68,721	38,371
Less: Outward reinsurance expense		(42,140)	(23,091)
Net premium revenue		26,581	15,280
Net commission revenue	8	57,801	62,849
Net investment revenue	9	733	433
Net revenue		85,115	78,562
Claims expense		27,670	11,751
Less: Reinsurance recoveries		(16,716)	(7,126)
Net claims expense	10	10,954	4,625
Net movement in insurance contract assets and liabilities	20	(18,946)	(23,688)
Commissions and operating expenses	11	88,979	88,935
Total expenses including movement in insurance contracts		80,987	69,872
Profit / (loss) before income tax		4,128	8,690
Income tax expense	12	6,983	3,720
Profit / (loss) for the year	7	(2,855)	4,970
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		(2,855)	4,970

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 March 2014

In thousands of New Zealand Dollars

	Note	2014 \$000	2013 \$000
Assets			
Cash and cash equivalents	13	22,723	15,096
Trade and other receivables	14	7,746	4,875
Investments	15	528	516
Loans and receivables	16	924	680
Insurance contract assets	20	159,649	142,061
Property, plant and equipment	17	272	388
Intangible assets	18	2,978	2,911
Total Assets		194,820	166,527
Liabilities			
Trade and other payables	19	17,294	11,857
Deferred tax liabilities	12	12,754	5,771
Insurance contract liabilities - reinsurance	20	107,501	108,859
Total Liabilities		137,549	126,487
Net assets		57,271	40,040
Equity			
Share capital	21	58,515	38,429
Retained earnings / (loss)		(1,244)	1,611
Total Equity		57,271	40,040

For and on behalf of the Board who authorised the issue of this report on 14 July 2014



I S Knowles
Chairman of Directors



J M G Perry
Chairman of the Audit and Risk Committee

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 March 2014

In thousands of New Zealand Dollars

	Note	Contributed capital \$000	Retained earnings / (loss) \$000	Total Equity \$000
At 1 April 2012		21,995	(3,359)	18,636
Profit for the year		-	4,970	4,970
Total comprehensive income		-	4,970	4,970
Transactions with owners of the Company:				
Shares issued	21	14,900	-	14,900
Other contributed capital: Equity settled share based payments	22	1,534	-	1,534
At 31 March 2013		38,429	1,611	40,040
At 1 April 2013		38,429	1,611	40,040
Profit for the year		-	(2,855)	(2,855)
Total comprehensive income		-	(2,855)	(2,855)
Transactions with owners of the Company:				
Shares issued	21	17,900	-	17,900
Other contributed capital: Equity settled share based payments	22	2,186	-	2,186
At 31 March 2014		58,515	(1,244)	57,271

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 March 2014

In thousands of New Zealand Dollars

	Note	2014 \$000	2013 \$000
Cash flows from operating activities			
Premium received		68,905	38,294
Reinsurance recoveries received		13,030	2,464
Commission received		55,320	62,588
Interest received		726	360
Reinsurance premiums paid		(37,009)	(19,193)
Claims paid		(24,319)	(7,734)
Net commission paid to advisers		(56,383)	(61,678)
Payments to suppliers and employees		(28,129)	(25,466)
Payment of taxes		(28)	(41)
Net cash outflow from operating activities	25	(7,887)	(10,406)
Cash flows from investing activities			
Net loans to advisers		(244)	554
Net advances to group companies		(107)	338
Acquisition of property, plant and equipment		(67)	(233)
Acquisition of intangible assets		(1,968)	(1,980)
Net cash outflow from investing activities		(2,386)	(1,321)
Cash flows from financing activities			
Proceeds from issue of shares		17,900	14,900
Net cash inflow from financing activities		17,900	14,900
Net increase in cash and cash equivalents		7,627	3,173
Cash and cash equivalents at the beginning of the period		15,096	11,923
Cash and cash equivalents at the end of the period	13	22,723	15,096
Being:			
Cash at bank		5,723	4,975
Short term deposits		17,000	10,121
		22,723	15,096

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 March 2014

1 Summary of Significant Accounting Policies

Reporting Entity

Partners Life Limited (the "Company") is a profit-oriented company domiciled in New Zealand and registered under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The financial statements are also prepared to comply with the Insurance (Prudential Supervision) Act 2010.

The Company operates in the life insurance industry in New Zealand and was granted its full licence in September 2013. The Company was launched to the general public in April 2011, before this only a small number of policies had been issued to staff and close business associates.

The Company is a wholly owned subsidiary of Partners Group Holdings Limited, a New Zealand company.

The financial report was authorised for issue by the Directors on 14 July 2014.

The financial statements comprise statements of: comprehensive income; financial position; changes in equity; cash flows; as well as notes to these statements.

Basis of preparation

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). It complies with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

New accounting standards and amendments

The following standards and amendments, which may affect the Company, were available for early adoption, but have not been applied by the Company in these financial statements. The Company currently does not intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

New standards and amendments not yet effective:

NZ IFRS 9 Financial Instruments (2009 & 2010) - applicable 1 January 2018 (estimated)

Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.

NZ IFRS 2 Share-based Payment - effective for periods beginning on 1 July 2014

Clarifies the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

NZ IFRS 13 Fair value measurement - effective for periods beginning on 1 July 2014

Clarifies that entities can measure short-term receivables and payables that have no stated interest rate, at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

NZ IAS 16 Property, Plant and Equipment / NZ IAS 38 Intangible assets - effective for periods beginning on 1 July 2014

Clarifies the revaluation model requirements, recognising that the restatement of accumulated depreciation is not always proportionate to the change in the gross carrying amount of the asset.

NZ IAS 24 Related Party Disclosures - effective for periods beginning on 1 July 2014

The definition of a 'related party' is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

Statutory Funds (Amendments to Appendix C of NZ IFRS 4) - effective for periods beginning on 1 July 2014

The amendment has been issued to include reference to statutory funds and alignment with Insurance (Prudential Supervision) Act 2010 and Solvency Standard for Life Insurance Business.

Going concern

The financial statements have been prepared on a going concern basis after considering the Company's current and future reinsurance, equity capital funding requirements, and the regulatory environment.

Basis of measurement

The financial statements are prepared on a historical cost basis, except for certain assets and liabilities which are stated at their fair value, being cash and cash equivalents and New Zealand Government Stock. Insurance contract assets and liabilities associated with the insurance business are stated at actuarially assessed values, refer note 1i).

Assets and liabilities in the Statement of Financial Position are presented in their broad order of liquidity.

1 Summary of Significant Accounting Policies (continued)

Significant Accounting Policies

a) Functional and Presentation Currency

Both the functional and presentation currency of the Company is New Zealand dollars, all items included in the financial statements are measured using the functional currency, rounded to the nearest thousand, except as otherwise stated.

b) Financial Assets and Liabilities

Financial Assets:

Financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit and loss, held to maturity investments, loans and receivables or available-for-sale financial assets. When financial assets are recognised initially they are measured at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

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

Financial assets backing insurance contract liabilities are included in the category "financial assets at fair value through profit and loss".

Investments in securities are financial instruments designated at fair value through profit and loss.

Gains or losses on financial assets backing insurance contract liabilities are recognised in profit or loss. Financial assets backing insurance contract assets and liabilities are designated as fair value through profit and loss to eliminate any accounting mismatch as the insurance contract assets and liabilities are at fair value. Debt and equity securities and cash and cash equivalents are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(iii) Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand and in demand deposits at bank and short-term bank deposits that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are financial instruments designated at fair value through profit and loss.

(iv) Trade and other receivables:

Prepaid expenses are expenses paid in advance of the period to which they relate and expenses paid for which the benefit arising will be recognised in a future accounting period.

Amounts due from advisers, policyholders, reinsurers and other receivables are classified as Trade and other receivables and are initially recognised at fair value, being the amount receivable.

Subsequent measurement is based on amortised cost and reduced for impairment as appropriate. Any impairment charge is recognised in the profit or loss.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts receivable according to the original terms of the receivables.

The criteria used by the Company to determine if there is objective evidence of impairment is management's assessment of the recoverable amount of the receivable at balance date, compared to the amount recognised in respect of the receivable.

Recognition and de-recognition of financial assets:

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date the Company commits to buy or sell the asset.

Financial assets are de-recognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability, except for financial liabilities at fair value through profit or loss which exclude transaction costs. A financial liability is de-recognised when it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

(v) Trade and other payables:

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of Significant Accounting Policies (continued)

c) Property, Plant and Equipment

An item of property, plant and equipment is recognised if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, Plant and Equipment is recognised at cost, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the items) is recognised in profit or loss.

Depreciation is provided for using a straight-line method to write-down the cost of each asset to their expected residual value over their estimated useful lives as follows:

- Computer Equipment	Three years
- Office Furniture and Equipment	Five years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

d) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific assets or assets and the arrangement conveys a right to use that asset or assets.

Operating lease payments are recognised in the profit or loss on a straight line basis over the lease term.

e) Intangible assets

Intangible assets are non-monetary assets other than goodwill with no physical substance, that are separately identifiable, controlled by the Company and have future economic benefits. The asset is measured as the cost incurred in its generation.

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises all directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the intangible asset.

Separately identifiable intangible assets comprise Computer Software and a Product Research Database.

Computer Software is initially recognised at cost, and includes only amounts incurred with third parties.

Computer Software is amortised to the profit or loss over the period which benefits are expected to be derived which is assessed to be three years. It is recognised at cost less accumulated depreciation and any accumulated impairment losses.

The Product Research Database is initially measured at cost.

The Product Research Database is amortised to the profit or loss over the period which benefits are expected to be derived which is assessed to be three years. It is recognised at cost less accumulated depreciation and any accumulated impairment losses.

f) Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid for salaries, holiday pay or short-term cash bonus schemes if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

1 Summary of Significant Accounting Policies (continued)

g) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as an asset or liability to the extent that it is refundable or remains unpaid at balance date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base. The value reported in the Statement of Financial Position represents the net position of the Company.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted, or substantively enacted, by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised, or to the extent they may be utilised against taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

(i) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST.

Where the Company is unable to recover the full amount of GST incurred on the purchase of an asset or an expense incurred, the amount of GST unable to be recovered is expensed in the profit or loss.

Trade and other payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a net of GST basis. Commitments are disclosed exclusive of the amount of GST recoverable.

(ii) Taxation of life insurers

The value of current tax payable or current income tax benefit is shown separately within receivables or other liabilities. The present value of the future tax benefit or provision for deferred tax on temporary differences arising in insurance contract assets and liabilities is calculated at applicable future tax rates enacted at balance date and is separately disclosed as part of deferred tax when a deferred tax asset or liability is recognised.

h) Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand, current accounts with banks and bank term deposits of less than three months maturity or readily convertible to cash.

1 Summary of Significant Accounting Policies (continued)

i) Life Insurance Business

(i) Principles underlying conduct of Life Insurance business

The life insurance operations consist of insurance contract business only.

Insurance contract business relates to a transfer of significant insurance risks from the policyholder to the insurer in order to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The compensation, referred to as insured benefits, is payable on death, or on the occurrence of injury, disability or certain illnesses, and the financial risk of the occurrence of the event which crystallises the payment of the insured benefit is borne by the Company.

(ii) Life insurance revenue and expenses

Recognition of Income

Premium Income:

All premiums for insurance contract business are recognised as revenue as these are earned by the Company bearing risks and providing services. Premiums with a regular due date are recognised when the premium becomes due and payable, usually on a monthly basis. The unearned portion of regular premiums payable quarterly, six-monthly or annually is deferred and recognised in the Statement of Financial Position. Unearned premium on monthly, fortnightly, and weekly payments are deferred and recognised in the insurance contract assets and liabilities balances.

Investment Income:

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

Investment Income also includes realised and unrealised changes in the net market value of investments designated at fair value through profit or loss.

Expenses

Claims:

Claims are recognised as an expense in the Statement of Comprehensive Income when an insured event under the policy contract has occurred, or upon notification of an insured event, depending on the type of claim. An actuarially determined reserve for claims incurred, but not reported and the present value of expected future claim payments on policies that make regular claim payments to policyholders and have suffered a claim event are also recognised in the Statement of Comprehensive Income.

Commission and Operating Expenses:

Commission and operating expenses incorporate all other expenditure involved in the running of the Company's business, including costs of issuing new business, salaries and related costs and other operating expenses.

For the purposes of determining insurance contract assets and liabilities life insurance expenses are categorised into acquisition, maintenance (including general growth and development expenses) or investment management expenses based on a detailed functional analysis.

Acquisition expenses are the fixed and variable expenses of acquiring new business including commissions and similar distribution costs and expenses related to accepting, issuing and initially recording policies. They do not include general growth and development costs incurred by the Company.

Under the Margin on Services ("MoS") method of recognising profits, where overall product profitability of new business written during the period is expected to support the recovery of acquisition expenses incurred in that period these expenses are effectively deferred as an element of insurance contract assets and liabilities and amortised over the life of the policies written. Unamortised acquisition expenses are a component of the MoS insurance contract assets and liabilities. Acquisition expenses are recognised in the profit or loss as a component of "net increase in insurance contract assets and liabilities" at the same time as profit margins are released.

Acquisition expenses are allowed for when determining expected profit margins by setting standard expense allowances. Actual acquisition expenses in any one period may vary from standard for a number of reasons including new business volumes, distribution mix, cost efficiency and new strategic initiatives.

As a result of the variances, acquisition expenses may, in total, be lesser or greater than standard expense allowances. In both cases the acquisition component of the insurance contract asset or liability is determined as the actual expenses incurred in the period so that neither a profit or loss arises on acquisition, subject to the overriding constraint that the present value of future profit margins of new business written in the period is not negative.

Maintenance expenses are the fixed and variable expenses of administering policies subsequent to sale and the fixed and variable operating expenses of maintaining the Company's operations such that they are sufficient to service in force policies. These include general growth and development expenses. Maintenance expenses include all operating expenses other than acquisition expenses.

Maintenance expenses are recognised in the profit or loss in the period to which they relate.

The Company does not incur investment management expenses as it does not write investment business or have any outsourced funds management.

1 Summary of Significant Accounting Policies (continued)

i) Life Insurance Business (continued)

Reinsurance

The Company has entered into a Quota Share (Modified Co-Insurance) Life Reinsurance Treaty ("Reinsurance Treaty") with SCOR Global Life SE Singapore branch ("SCOR"). The treaty meets the definition of an insurance contract under NZ IFRS 4 as there is a significant transfer of insurance risk by the Company to SCOR through the ceding of an agreed portion of the Company's insurance risks up to automatic acceptance levels on all covers except medical insurance. In addition, SCOR bears underwriting and lapse risks in the profit share arrangements under the treaty.

Cash flows between the parties are recorded in an Original Experience Account ("OEA") to determine profit sharing. The OEA is a record of each specific tranche of insurance and is the net total of initial reinsurance commissions received, reinsurance recoveries received on claims, reinsurance premium payments, reinsurance commission clawbacks, interest payable on the OEA balance and administration fees payable. In the future, once the overall OEA balance is reduced to zero, the Company has the option to switch to a risk premium basis.

Reinsurance income and expenses are recognised separately in the profit or loss when they become due and payable in accordance with the terms and conditions of the Reinsurance Treaty.

Reinsurance premiums are calculated on an original terms basis with bonuses reducing the premiums depending on persistency experience. Reinsurance premiums are recognised in the profit or loss against premium revenues.

Reinsurance recoveries on claims are recognised in the profit or loss reducing the claims expense. Reinsurance recoveries are recognised at the same time the claim is recognised if the underlying policy is reinsured. The amount recognised is the present value of the recoverable amount based on the claim event date.

Outstanding reinsurance receivables are recognised under Trade and Other Receivables in the Statement of Financial Position.

Outstanding reinsurance payables are recognised under Trade and Other Payables in the Statement of Financial Position.

The Company recognises inwards reinsurance commissions due from SCOR in the profit or loss, net of any commissions repayable to SCOR as a result of policy discontinuances. Reinsurance commissions become due when the Company issues policies containing reinsured benefits. Expected future cash flows from the Company's reinsurance arrangements are included in the actuarial MoS insurance contract and reinsurance balances determination. The resultant movement in these balances, recognised in the profit or loss, effectively defers the recognition of the net inwards reinsurance commission income, in line with the MoS methodology.

(iii) Insurance contract amounts measurement

Determination of insurance contract assets and liabilities:

The amount of insurance contract assets and liabilities have been determined in accordance with methods and assumptions disclosed in this financial report and have been calculated using the MoS methodology in accordance with the New Zealand Society of Actuaries Professional Standard 3: Determination of Life Insurance Policyholder Liabilities.

MoS is designed to recognise profits on life insurance as services are provided to policyholders. Profits are deferred and recognised over the life of policies, whereas losses are recognised immediately as they arise. The service used to determine profit recognition is the cost of expected claims.

Insurance contract assets and 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.

Profits emerging under the MoS methodology can be categorised as follows:

1) 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 premiums and payments. Where actual experience is in line with best estimate assumptions, the expected profit margin will be released over the life of the policy.

2) The difference between actual and assumed experience

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, morbidity and rates of discontinuance. For example an experience profit will emerge when actual claims in a period are less than the best estimate assumption in respect of the cost of claims for the period.

3) Changes to underlying assumptions

Assumptions used for measuring insurance contract assets and liabilities are reviewed each period. Where the review leads to a change in assumptions the change is deemed to have occurred from the end of the financial period and the impact of the assumption change is absorbed within the future value of profit margins, provided sufficient profit margins exist.

The calculation of insurance contract assets and liabilities includes the use of published investment market yields (e.g. government bond yields). The changes in these yields are not treated the same as other actuarial assumption changes as changes in investment yields impact both the insurance contract assets and liabilities and the asset values in the Statement of Financial Position and any changes in relative value between the two is recognised during the reporting period.

The financial effect of changes to the assumptions underlying the measurement of insurance contract assets and liabilities made during the reporting period are recognised in the profit or loss over the future reporting periods during which services are provided to policyholders. However if, based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the whole expected loss for that related product group is recognised in the profit or loss immediately. When loss making business becomes profitable previously recognised losses are reversed.

4) Investment earnings on assets in excess of insurance contract liabilities

Profits are generated from investment assets which are in excess of those required to meet insurance contract liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profitability will vary from period to period.

1 Summary of Significant Accounting Policies (continued)

j) Equity

(i) Shares:

Issued shares are recognised at the amount paid per share.

(ii) Share based payments:

The Company operates share based compensation plans that are equity settled.

Shadow share scheme with advisers:

The shadow share scheme with advisers is a deferred entitlement scheme offering additional commission payments for qualifying policies sold and maintained by advisers. The Company has entered into a Deed of Agreement with Partners Group Holdings Limited ("PGHL"), the Company's parent company, in respect of the scheme. PGHL has undertaken to solely bear the liability to advisers arising from shadow shares issued without any obligation on the Company to reimburse or repay PGHL at any time.

The fair value of shadow shares issued is recognised as a commission expense in the profit or loss, with a corresponding contribution to equity from the PGHL.

Executive share based schemes:

Participants to the scheme effectively have an option to purchase shares in PGHL with the fair value of the option accounted for as an equity settled share based payment in accordance with NZ IFRS 2 Share Based Payments.

The fair value of share based payments is measured at grant date and recognised as an employee expense over the period the employee unconditionally becomes entitled to the shares. A corresponding contribution to equity from PGHL is recorded.

k) Provisions

A provision is a liability of uncertain timing or amount which is recognised in the Statement of Financial Position when:

- The Company has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of economic benefit will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as a finance cost.

l) Contingent liabilities

Contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed in the financial statements unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated a provision is recognised. The amount disclosed as a contingent liability is the best estimate of the settlement amount payable.

m) Impairment

Assets of the Company are assessed for indications of impairment at each reporting date. Indicators include both internal and external factors. If such indicators exist, the asset's recoverable amount is estimated.

(i) Intangible assets

Intangible assets have their recoverable amount assessed whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised whenever the asset's carrying value exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

(ii) Financial assets

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping assets with similar risk characteristics.

(iii) Other non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels from which there are separate identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are tested for possible impairment whenever events or changes in circumstances indicate that the impairment may be reversed.

(iv) Reversal of impairment

An impairment loss for an asset is reversed in the following period if there are indications that the impairment loss previously recognised no longer exists or has decreased.

The impairment loss is reversed, in the profit or loss, only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded.

n) Offsetting of assets and liabilities

Assets and liabilities are only offset and the net amount reported in the Statement of Financial Position where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

o) Change in accounting policies

The accounting policies adopted are consistent with those of the previous year.

p) Comparatives

Certain comparatives have been restated to comply with current year presentation.

Comparatives have been restated to reflect the correction of the model lapse rates used to value insurance contract assets and liabilities at 31 March 2013. The correction reduces the present value of future profit margins at 31 March 2013 by \$24.06m, with an offsetting effect in the Best Estimate Liability. The correction has no impact on any asset or liability balance, solvency margin or profit for the year reported at 31 March 2013, refer note 20.

2 Critical Accounting Judgements, Estimates and Assumptions

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

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements and estimates are applied in respect of Life Insurance Business as noted below:

(i) Insurance contract assets and liabilities (including reinsurance)

Insurance contract assets and liabilities for life insurance contracts are computed using statistical or mathematical methods. The calculations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles and standards. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. Deferred policyholder acquisition costs are connected with the measurement basis of the life insurance liabilities and are equally sensitive to the factors that are considered in the measurement.

Assets and liabilities arising from reinsurance contracts are also computed using the same methods as for insurance contract assets and liabilities. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due and these amounts can be reliably measured.

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

- the cost of providing the benefits and administering these insurance contracts; and
- mortality and morbidity experience, which impacts on the profitability of the Company where actual experience differs from assumed experience; and
- rates of discontinuance, which affects the Company's ability to recover the costs of acquiring new business over the lives of the contracts; and
- the Company's reinsurance arrangements and timing of certain future cash flows under these arrangements, which are dependent on the underwriting results of the Company.

In addition factors such as regulation, competition, interest rates, taxes and general economic conditions affect the level of these liabilities.

See notes 1(i) and 3 for more details on the valuation of insurance contract assets and liabilities and assumptions applied.

(ii) Share-based payments

Shadow share scheme with advisers:

At 31 March 2014 the Company obtained an independent opinion on the volatility assumptions for valuing the share options issued in the 2014 scheme year.

The value of the share options issued has been calculated using a binominal option pricing model using a number of assumptions as set out in Note 22.

Share options have a life of 3 to 5 years from the date of issue. In determining the time to maturity, the Company considered there is scope for their life to be extended beyond the original period in certain circumstances, however given the uncertainty as to whether such an extension would be necessary, and how long that extension might be, it was considered reasonable to assume a 3 year life.

Executive incentive plans:

The option value of shares issued to executives was calculated using a binominal option pricing model using a number of assumptions as set out in Note 22.

(iii) Taxation

Following the Appeal Court decision in *Sovereign Assurance Company Limited & Others v Commissioner of Inland Revenue* ("the Sovereign Case"), the Company has been liaising with the Inland Revenue Department to agree the basis on which the Company's reinsurance arrangements should be taxed.

Inland Revenue's view is that a financial arrangement interpretation (similar to the Sovereign Case) also applies to the Company's current reinsurance arrangements. This treatment is reflected in the financial statements for the year ending 31 March 2014 and gives rise to additional tax deductions. The Company proposes to make a tax return election to also treat brokerage commissions as financial arrangements and to spread the tax deduction for commissions paid. This treatment is reflected in the financial statements for the year ended 31 March 2014. Significant tax losses, which could be lost in the event of major shareholding changes, would arise if brokerage commissions were treated as deductible upfront and not spread.

The Company has determined it is not probable that future taxable profits will be available prior to any potential future breach of shareholder continuity for the purpose of tax loss recognition. Accordingly, it has not recognised a deferred tax asset in respect of accumulated tax losses at balance date.

3 Summary of Significant Actuarial Assumptions

The effective date of the actuarial report on insurance contract assets and liabilities is 31 March 2014.

The actuarial report was prepared by L K Caradus, Fellow of the New Zealand Society of Actuaries, and signed on 14 July 2014.

Insurance contract assets and liabilities for life insurance contracts are the amounts which, when taken together with future premium and investment earnings, are required to meet the payment of future benefits and expenses, and include profit margins to be released when earned in future periods.

Apart from group insurances, insurance contract assets and liabilities were measured as the present value of expected future cash flows plus the cost of policy holders electing to exercise various options in the future. The profit carrier used for all product groups was claims. The liabilities for group insurances were calculated on an unexpired premium basis. Allowances for claims admitted but not paid, claims reported but not admitted, claims incurred but not reported and claims in course of payment were recorded in trade and other payables as claim accruals and provisions.

The Actuary certified that the amount of the insurance contract assets and liabilities has been determined in accordance with methods and assumptions disclosed in the report and with Professional Standard No. 3: "Determination of Life Insurance Policy Liabilities" of the New Zealand Society of Actuaries.

The Actuary certified that she was satisfied as to the accuracy of the data upon which the amount of the Insurance contract assets and liabilities has been determined.

Disclosure of assumptions:

The valuations included in the reported results are calculated using assumptions about certain underlying variables. The assumptions are determined by the Appointed Actuary based on the Company's actual and expected future experience, industry experience data and information provided by reinsurers.

Discount rates

None of the benefits under the contracts are contractually linked to the performance of the assets held. Risk-free discount rates derived from returns on New Zealand Government Bonds as at the valuation date are used to determine the present value of the liabilities. The risk-free rates (before tax) applied in the valuation process for all business are monthly forward rates. Sample equivalent annual rates are:

Year from valuation date	31 March 2014	31 March 2013
1	3.46%	2.56%
5	4.86%	3.93%
10	5.40%	4.78%
15	5.45%	5.45%
20	5.50%	6.00%

Before tax discount rates were applied in the initial period during which it was projected no tax would be payable (see rates of taxation below), after this initial period net of tax discount rates were applied.

Inflation

The inflation assumption was determined on a basis consistent with the medium to long term RBNZ inflation target of between 1% and 3%. The rate assumed was 2.5% (2013: 2.5%).

Future expenses

Assumed future maintenance expenses per policy in the year ending 31 March 2015 were sufficient to cover expected renewal expenses in that year, including investment expenses, allowing for new business expected in the year. Expenses for the following five years were determined similarly, thereafter expenses were assumed to increase at 2.5% per annum (2013: 2.5%).

Indexation

Indexation of benefits (where applicable) was assumed to be 2.5% per annum (2013: 2.5% per annum), except for the calendar year 2014 where allowance was made for the increase rate known to be applicable during that year.

Taxation

Current taxation bases for both life insurance and non-life business were assumed to continue and the future rate of taxation was assumed to be 28%, applicable after an initial period during which it was assumed no tax would be payable.

Mortality and morbidity

Assumed mortality and morbidity rates vary by age, sex and smoker status. An initial selection period of up to five years was also assumed.

For medical insurance, it was assumed that the business would be managed and rerated according to an expected loss ratio. Accordingly claims were assumed to be a percentage of premiums.

For other benefits, future claims were based on reinsurance risk premium rates, adjusted to allow for industry experience and the Company's own experience to date.

Discontinuance

Voluntary discontinuances were assumed to vary according to the age of the life insured and the length of time the policy has been in force, in line with the Company's expected experience taking into account other market information and matters specific to the Company.

The resulting future rates of voluntary discontinuance for the major classes of business were of the order of 8.5% to 17.5% (2013: 7% to 17%).

All covers are assumed to expire at the earlier of the age specified in the contractual terms and age 70, unless already aged over 70.

Future participating benefits and surrender values

The Company has no unit-linked business and no discretionary policies. None of the policies have surrender values.

3 Summary of Significant Actuarial Assumptions (continued)

Impact of changes in assumptions between 31 March 2013 and 31 March 2014

The following table shows the effect on the present value of future planned profit margins and insurance contract assets and liabilities as at 31 March 2014 of changes in the actuarial assumptions. The effect is measured only on business in force at 31 March 2013 which remains in force at 31 March 2014.

<i>In thousands of New Zealand Dollars</i>	Effect on the Present Value of Future Profit Margins Increase/ (Decrease) \$000	Effect on Insurance Contract Assets and Liabilities Increase/ (Decrease) \$000
Assumption category:		
Model changes	(23,764)	-
Discount rates	(3,677)	1,824
Other	(1,683)	-
Claims	(133)	-
Discontinuances	(9,425)	-
Expenses	(4,543)	-
Tax	1,530	-
	(41,695)	1,824

4 Risk Management Policies and Procedures for Insurance

The financial condition and operating results of the Company are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, insurance risk and liquidity risk. The non-financial risks are compliance risk and operational risk. The Company's objectives and policies in respect of managing these risks are set out in the remainder of this section.

(a) Risk management objectives and policies for mitigating financial and insurance risk.

The Company's objective is to satisfactorily manage risks in line with the risk management programme requirements of the Insurance (Prudential Supervision) Act 2010. A Risk Management Strategy has been put in place to identify, control and mitigate the risks faced by the Company depending on the nature of those risks. The Company's exposure to all financial and insurance risks is monitored regularly by the Board of Directors.

Financial risks are generally monitored and controlled by selecting appropriate assets to back liabilities. These assets are regularly monitored to ensure there are no material asset and liability mismatching issues and other risks, such as liquidity and credit risk, are minimised.

Insurance risks are controlled through the use of prudent underwriting procedures and reinsurance arrangements, which are monitored by the Chief Underwriter and Chief Actuary. Controls are also maintained over claims management processes to ensure that all valid claims are paid in a timely and accurate manner.

(b) Strategies for managing insurance risks

The Company's strategies for managing risks arising from its insurance business are:

- The Chief Actuary sets premium rates based on the expected incidence of claims, expenses associated with acquiring and maintaining the Company's insurance business, including commissions paid to independent financial advisers, and a margin to ensure an appropriate return on capital and the continuous meeting of internal and external solvency and capital requirements.
- To ensure that strong internal controls are in place in respect of the underwriting of all new insurance business received.
- To use reinsurance as a key component of its insurance risk management strategy and to regularly review these reinsurance arrangements to ensure they align with the Company's retention risk appetites and allow the Company to continuously meet solvency and capital requirements.
- To ensure that processes and procedures are in place for the continuous monitoring of the Company's insurance risks.

Solvency margin requirements are in place to reinforce safeguards for policyholders' interests, which are primarily the ability to meet future claim payments in respect of existing policies. The solvency margin measures the excess of the value of the insurer's assets over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. These solvency requirements also take into account specific risks faced by the Company.

(c) Methods to monitor and assess insurance risk exposure

In an effort to protect and enhance shareholder value the Company actively manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles and macro-economic environments. Risk exposures are managed using various analysis and valuation techniques to calculate the economic capital required to support adverse risk scenarios, along with other cash flow analyses, and prudent and diversified underwriting and investing.

The Company reports financial and operating results and exposure to insurance risks (both gross and net of reinsurance) to the Board of Directors. This information is combined with detail of the Company's reinsurance arrangements to provide a central view of the Company's performance and its gross and net exposures.

4 Risk Management Policies and Procedures for Insurance (continued)

(d) Methods to limit or transfer insurance risk exposures

Reinsurance:

The Company has entered into a Reinsurance Treaty in respect of all benefits, with the exception of medical benefits, the treaty provides indemnification for the Company against loss and liability.

The Reinsurance Treaty is designed to limit its exposure to insurance risk to a level appropriate with its age and capital base and contributes to the costs of acquiring new insurance business in order that the Company can continue to write new business and continuously meet solvency standards.

The Reinsurance Treaty is structured on a Quota Share basis. Reinsurance premiums are paid in relation to benefits reinsured. The Quota Share percentage of claims paid in relation to benefits reinsured are recoverable from the reinsurer. Profits arising on this reinsured business are shared with the Company.

The Company is dependent on the availability of reinsurance to write new business.

SCOR has indicated its medium term support to the Company, with the specific terms of the Reinsurance Treaty for new business agreed annually. If SCOR ceases to take new business under the treaty it remains on risk for policies previously reinsured.

The Company has signed a treaty with SCOR for the 2014/15 financial year and amendments to the 2013/14 treaty. SCOR has entered into retrocession treaties with Berkshire Hathaway and PartnerRe covering the same periods.

Market conditions beyond the Company's control determine the availability and cost of reinsurance. Accordingly, the Company may be forced to incur additional expenses for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms from SCOR or alternative reinsurers, in which case the Company would have to accept an increase in its exposure to risk under new business, reduce the amount of new business written or seek alternatives.

Although reinsurance makes the reinsurer liable to the Company to the extent the risk is ceded, it does not relieve the Company of its primary liability to its policyholders. Accordingly, the Company bears credit risk with respect to any reinsurer. The Company can offset the reinsured portion of claims against the OEA whilst it remains positive. A reinsurer's insolvency, inability or refusal to make timely payments under the terms of its Reinsurance Treaty with the Company could have a material adverse effect on the Company's financial results and liquidity.

The Company has entered into a risk only Quota Share Reinsurance Treaty with General Reinsurance Life Australia (Gen Re). There is no profit share, commission payments or financing in this Group Reinsurance Treaty.

Underwriting procedures:

Underwriting decisions are put into effect using the underwriting procedures detailed in the Company's underwriting manual. Such procedures include limits to delegated authorities and signing powers for individual underwriters and limits over which individual cases must be referred to the Company's reinsurers for an underwriting decision. The underwriting process is monitored by the Chief Underwriter to ensure adequate controls are in place over the underwriting process and that these controls are effective. The Company's reinsurers carry out regular audits of its underwriting decisions.

Claims management:

Claims management procedures are in place to facilitate the timely and correct payment of all valid claims in accordance with policy conditions.

(e) Concentration of insurance risk

The Company aims to maintain a spread of age profile and mix of sexes within its portfolio of policyholders so that the Company's risk concentration in relation to any particular age group is minimal.

The table below illustrates the concentration of insurance risk based on five bands of life sums assured for each life plan.

Sum Assured	31 March 2014		31 March 2013	
	Before Reinsurance	After Reinsurance	Before Reinsurance	After Reinsurance
\$0 - \$250,000	5.5%	56.7%	5.7%	61.5%
\$250,001 - \$500,000	13.0%	32.3%	13.4%	29.0%
\$500,001 - \$1,000,000	35.1%	9.3%	35.1%	8.2%
\$1,000,001 - \$2,000,000	34.6%	1.6%	33.9%	1.3%
\$2,000,001 - \$5,000,000	11.0%	0.1%	11.3%	0.0%
Greater than \$5,000,000	0.8%	0.0%	0.6%	0.0%
	100.0%	100.0%	100.0%	100.0%

(f) Sensitivity to insurance risk

The table below illustrates the sensitivity of reported profit and loss and equity to changes in assumptions emerging over the year following the valuation date.

		31 March 2014	31 March 2014	31 March 2013	31 March 2013
	Change	Profit / (Loss) \$000	Equity \$000	Profit / (Loss) \$000	Equity \$000
<i>In thousands of New Zealand Dollars</i>					
Change in mortality and morbidity	+10%	(1,795)	(1,795)	(580)	(580)
	-10%	1,632	1,632	582	582
Change in lapse rates	+10%	(1,571)	(1,571)	(725)	(725)
	-10%	1,847	1,847	846	846
Change in maintenance expenses	+10%	(230)	(230)	(92)	(92)
	-10%	230	230	92	92

Mortality/morbidity and lapse rate sensitivities for 2014 include the effect of the change in OEA runoff period.

The above changes in assumptions would not alter profit or equity if they were made at the end of the financial year due to the nature of MoS accounting.

(g) Terms and conditions of insurance contracts

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

4 Risk Management Policies and Procedures for Insurance (continued)

(g) Terms and conditions of insurance contracts (continued)

Type of contract:

Non-participating life insurance contracts with fixed and guaranteed terms (term life, trauma, disability and major medical), together with a small number of group life, disability and medical schemes.

Detail of contract workings:

Guaranteed benefits paid on death, certain critical illnesses or disability are fixed and guaranteed and not at the discretion of the issuer. Premiums may be guaranteed for a specified term or variable at the insurer's discretion.

Nature of compensation for claims:

Benefits are defined and determined by the insurance contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole.

Key variables that affect the timing and uncertainty of future cash flows:

Mortality and morbidity experience

Rates of discontinuance

Expenses

Market interest rates on underlying assets

5 Financial Risk Management and Objectives

The Company's principal financial position and operating results are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, insurance risk and liquidity risk. Non-financial risks include compliance risk and operational risk.

The Company's objectives and policies in respect of managing these risks are set out below:

Risk Management

Risks arising from holding financial instruments are inherent in the Company's activities, and are managed through the process of on going identification, measurement and monitoring. The Company is exposed to market risk, interest rate risk, credit risk and liquidity risk.

Financial instruments of the Company comprise investments in financial assets for the purpose of generating a return on its investments, cash and cash equivalents, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Company is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using methods that reflect the expected impact on the results and net assets of the Company from reasonably possible changes in the relevant risk variables. These methods include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Information about the total fair value of financial instruments exposed to risk is also monitored by the Company.

This information is prepared and reported to key management personnel and ultimately the Board of Directors on a regular basis as deemed appropriate.

a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market, the main market risk of the Company is interest rate risk.

Market risk is effectively managed through the Company investing assets in cash and short-term deposits with registered trading banks and New Zealand Government Stock. The Company has no exposure to commodity and equity security prices.

b) Interest rate risk

The Company has exposure to interest rate risk to the extent it invests for a fixed term at fixed interest rates. New Zealand Government Stock and cash deposits are subject to market risk in the event of changes in interest rates. The interest rate risk on the Company's short-term cash deposits is negligible.

Interest rate sensitivity on the Statement of Comprehensive Income is the effect of an assumed change in interest rates on:

- the interest income for one year, based on floating rate financial assets
- changes in the fair value of investments for the year, based on revaluing the fixed rate financial assets at 31 March.
- changes in the value of net insurance contract assets through sensitivity to changes in discount rates applied

The following table demonstrates the sensitivity of the Company's profit or loss and equity to a reasonably possible change in interest rates, with all other variables held constant:

Interest Rate Sensitivity	Cash and Cash Equivalents \$000	Fixed Rate Interest Bearing Investments \$000	Net Insurance Contract Assets, including Deferred Tax Liability \$000
<i>In thousands of New Zealand Dollars</i>			
Balance reported at 31 March 2014	22,723	528	39,394
Profit/(Loss) and Equity impact:			
+1% (100 basis points move in interest rates)	227	(5)	(535)
-1% (100 basis points move in interest rates)	(227)	5	608
Balance reported at 31 March 2013	15,096	516	27,431
Profit/(Loss) and Equity impact:			
+1% (100 basis points move in interest rates)	151	-	(657)
-1% (100 basis points move in interest rates)	(151)	-	711

5 Financial Risk Management and Objectives (continued)

c) Currency risk

Currency risk is the risk of loss to the Company arising from changes in foreign exchange rates. The Company currently has no assets or liabilities denominated in foreign currencies, so is currently not exposed to currency risk.

d) Credit risk

To the extent the Company has a receivable from another party, there is a credit risk in the event of non-performance of that counterparty. Financial instruments which potentially subject the Company to credit risk are insurance contract assets, bank deposits, trade and other receivables, loans and receivables and New Zealand Government Stock investments.

The Company manages its exposure to credit risk by placing its cash and investments with high credit quality financial institutions and sovereign bodies. The Company continuously monitors the credit quality of all institutions that are counterparties to its financial instruments and does not anticipate non-performance by any of those counterparties.

The risk arises in the event that a counterparty fails to perform according to the terms and conditions of the contract. In the normal course of business the Company incurs credit risk from debtors and financial institutions with which its financial assets are invested.

Certain loans to advisers are secured against all assets of the borrower, refer Note 16. No other collateral exists for any of the investments held by the Company. The maximum exposure to credit risk at balance date for each class of recognised financial asset is the carrying amount of those assets as indicated on the Statement of Financial Position. However as a large proportion of investments are in government stock and deposits with registered trading banks, significant losses from credit risk are not expected to occur. The Company seeks to ensure that its counterparties and investments are with reputable financial institutions and other entities.

Amounts due from advisers, within Trade and other receivables, are shown net of a provision established by management against those amounts due, where collection is considered doubtful. No other financial assets are past due or impaired at balance date.

Maximum exposures to credit risk at balance date are shown in the table below:

<i>In thousands of New Zealand Dollars</i>	2014 \$000	2013 \$000
Cash at bank	5,723	4,975
Short term bank deposits	17,000	10,121
New Zealand Government Stock	528	516
Loans and receivables	924	680
Trade and other receivables (excluding prepaid expenses and reinsurance premiums)	6,982	4,353
Insurance contract assets	159,649	142,061
	190,806	162,706

Concentrations of Credit Risk:

Significant concentrations of credit risk are as follows:

<i>In thousands of New Zealand Dollars</i>	Standard and Poor's Credit rating	\$000
Institution:		
2014		
Westpac New Zealand Limited	AA-	7,723
Bank of New Zealand	AA-	5,000
ANZ National Bank	AA-	5,000
Rabobank New Zealand	AA-	5,000
SCOR Global Life SE	A+	4,913
New Zealand Government	AA	528
2013		
Westpac New Zealand Limited	AA-	5,096
Bank of New Zealand	AA-	5,000
ANZ National Bank	AA-	5,000
SCOR Global Life SE	A+	2,801
New Zealand Government	AA	516

Insurance contract assets represent a large number of unrated counterparties, there is no significant concentration of credit risk in respect of this asset.

e) Liquidity risk

The Company manages its exposure to liquidity risk by investing in predominantly short dated deposits and securities. The majority of the Company's investments are highly liquid.

Future demands for funds will be met by premiums and reinsurance commissions received and further capital to be raised from current and prospective investors in line with capital projections prepared by the Chief Actuary in order that the Company continues to meet solvency requirements.

The table below summarises the undiscounted maturity profile of the Company's contractual financial liabilities at balance date:

<i>In thousands of New Zealand Dollars</i>	On demand \$000	Less than 3 months \$000	3 to 12 months \$000	> 1 year \$000
2014				
Financial liabilities:				
Expense creditors and accruals	-	2,008	-	-
Employee entitlements (excluding annual leave provision)	-	-	1,620	-
Amounts due to group companies	134	-	-	-
Claim accruals and provisions	-	5,492	1,137	739
Trade creditors (excluding unearned premiums)	110	4,536	-	-
Insurance contract liabilities - reinsurance	-	7,985	20,922	80,798

5 Financial Risk Management and Objectives (continued)

e) Liquidity risk (continued)

In thousands of New Zealand Dollars

2013

Financial liabilities:

	On demand \$000	Less than 3 months \$000	3 to 12 months \$000	> 1 year \$000
Expense creditors and accruals	-	3,316	-	-
Employee entitlements (excluding annual leave provision)	-	-	301	-
Amounts due to group companies	194	-	-	-
Claim accruals and provisions	-	3,028	533	456
Trade creditors (excluding unearned premiums)	61	2,848	-	-
Insurance contract liabilities - reinsurance	-	6,163	15,877	90,861

f) Capital Management

Capital management policies and objectives

The primary objective of the Company in the management of capital is to ensure it continuously meets the Solvency Standard for Life Insurance Business ("the Standard") released by the Reserve Bank of New Zealand ("RBNZ") on 5 August 2011 as part of the Insurance (Prudential Supervision) Act 2010.

The Board of Directors has put in place a Capital Management Policy and maintains overall responsibility for the management and monitoring of capital and the determination of the level of "buffer" capital to be held in addition to the capital requirements of the Standard in order to protect policyholders' and creditors' interests and meet regulatory requirements whilst still creating shareholder value.

From 31 December 2012 the Company is required to retain fixed capital of at least \$5 million and maintain at least a positive solvency margin for each life fund under the Standard.

During the years ended 31 March 2014 and 31 March 2013, the Company complied with all externally imposed capital requirements.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the Standard.

The Board of Directors oversees the capital computations and maintains the optimal capital structure through analysis and optimisation of the Company's product and asset mix, reinsurance program, catastrophe risk, investment strategy and future share issues.

Capital composition

The primary source of capital used by the Company is total equity attributable to owners which equates to "capital" as defined in the solvency standard.

g) Legislative and Regulatory Risk

The Company is regulated by both the RBNZ through the Insurance (Prudential Supervision) Act 2010, and the Financial Markets Authority (FMA) through the Financial Advisers Act 2008.

As regulator of the insurance industry the RBNZ is responsible for imposing new regulations and licensing requirements. The FMA regulates the provision of financial adviser and broking services to clients in New Zealand.

Changes in legislation, legislative interpretation, regulations and government policy are risks to the earnings and performance of the Company.

6 Solvency Requirements

The Company is required to comply with solvency standards for life insurance business issued under the Insurance (Prudential Supervision) Act 2010.

The Solvency Margin of the Company is as follows:

In thousands of New Zealand Dollars

	2014 \$000	2013 \$000
Actual solvency capital	54,294	37,129
Minimum solvency capital	47,089	32,172
Solvency margin	7,205	4,957

The actuarial report on the solvency margin is included in the Appointed Actuary's Financial Condition Report, which has an effective date of 31 March 2014. The report was prepared by L K Caradus, Fellow of the New Zealand Society of Actuaries. The solvency requirement is calculated in accordance with the solvency standard for life insurance business issued by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010.

6 Solvency Requirements (continued)

Statutory Fund:

Partners Life Limited established the Partners Life Statutory Fund ("the Statutory Fund" / "the Fund") on 1 September 2012.

Pursuant to Section 113 of the Insurance (Prudential Supervision) Act 2010, \$5.6m of capital was paid into the Statutory Fund on establishment to form its net assets. This amount was determined as the sum of all assets and liabilities directly connected with the Fund, apportioned assets and liabilities where such amounts were clearly identifiable and additional cash assets estimated to be sufficient to create a minimum Solvency Margin within the Fund of \$1m.

During the year additional capital of \$15.9m (2013: \$9.9m) has been transferred into the Fund in order to maintain a minimum Solvency Margin within the Fund of \$1m.

Pursuant to Regulation 25 of the Insurance (Prudential Supervision) Regulations 2010 Order in Council, passed on 13/12/2010, subsequent to the establishment of the Fund, the Company has allocated profits/(losses) of (\$2.1m) to the Fund for the period ended 31 March 2014 (2013: \$3.5m).

At the establishment date the value of insurance contract assets and liabilities was based on the most recent valuation available, being 31 March 2012. The profit allocated in 2013 therefore includes the increase in these allocated insurance contract assets and liabilities from 31 March 2012 to 31 March 2013.

The solvency positions of the Company, Statutory Fund and Shareholder Fund, determined under the requirements of the Reserve Bank of New Zealand's Solvency Standard for Life Insurance Business are set out below:

Balance at 31 March 2014

In thousands of New Zealand Dollars

	Company \$000	Statutory Fund \$000	Shareholder Fund \$000
Actual Solvency Capital	54,294	32,890	21,404
Minimum Solvency Capital	47,089	31,811	15,278
Solvency Margin	7,205	1,079	6,126

Balance at 31 March 2013

In thousands of New Zealand Dollars

	Company \$000	Statutory Fund \$000	Shareholder Fund \$000
Actual Solvency Capital	37,129	19,093	18,036
Minimum Solvency Capital	32,172	17,523	14,649
Solvency Margin	4,957	1,570	3,387

Treatment of Reinsurance Treaty for solvency purposes

In December 2012 the RBNZ issued an initial consultation paper on the quality of capital and regulatory treatment of financial reinsurance with a second consultation document issued in October 2013.

In May 2014, the RBNZ issued a further consultation document in which it advised it has decided to proceed with an amendment to the Solvency Standard to deal with the solvency treatment of Financial Reinsurance.

On 19 June 2014 the RBNZ announced it would consult further on the wording of the amended solvency standard in the fourth quarter of 2014.

The proposed standard allows the use of reinsurance financing for solvency capital purposes, subject to adequate risk transfer to the Reinsurer and the Reinsurer not having the right (except in certain defined circumstances) to unilaterally terminate the agreement and demand repayment of the value of the underlying portfolio.

The proposed transition period is 4 years in respect of business under existing treaties and a period of 1 year before new treaties are required to meet the requirements of the new regime, following the issue of the amended solvency standard, which is expected by the end of 2014.

The Company is in discussions with its Reinsurer, SCOR, on amendments that are likely to be required to the existing reinsurance treaties, and the form of any reinsurance treaties for new business, in order to be compliant with the proposed RBNZ standard, within the transition periods. The Company has successfully raised additional capital to fund growth as required to date.

At the date of the signing of these financial statements the directors have no reason to believe that during the proposed transition periods that the Company will be unable:

- i) to amend the terms of its existing reinsurance treaties with SCOR; or
 - ii) alternatively continue to raise sufficient equity capital in order to fund new business and refinance existing business;
- to meet the requirements of the proposals set out in the May 2014 consultation document.

The Company complies with current solvency standards.

7 Sources of Profit / (Loss)

<i>In thousands of New Zealand Dollars</i>	Note	2014 \$000	2013 \$000
Profits/(losses) emerging under the MoS methodology were as follows:			
Planned margins of revenues over expenses		5,648	3,049
The difference between actual and assumed experience:			
Impact of taxation timing differences, including effect of non-recognition of income tax losses	12	-	(608)
Other experience variances		(6,332)	989
Changes to underlying assumptions		(1,824)	1,107
Adjustment for unearned premium reserve		(1,080)	-
Investment earnings on assets in excess of insurance contract liabilities		733	433
Total sources of profit / (loss)		(2,855)	4,970

8 Net Commission Revenue

<i>In thousands of New Zealand Dollars</i>	2014 \$000	2013 \$000
Net inwards reinsurance commissions*	57,801	62,849

* The income recognition of this item is effectively deferred by the movement in insurance contract assets and liabilities recognised in the profit or loss, in line with the reinsurance policy set out in Note 1i) (ii). The amounts are net of clawbacks repaid to the reinsurer.

9 Net Investment Revenue

<i>In thousands of New Zealand Dollars</i>	2014 \$000	2013 \$000
Interest on cash and cash equivalents	676	361
Interest on New Zealand Government Stock	31	32
Interest on loans and receivables	48	59
Gain / (Loss) New Zealand Government Stock	(22)	(19)
Total net investment revenue	733	433

10 Claims

<i>In thousands of New Zealand Dollars</i>	2014 \$000	2013 \$000
Gross claims		
Death claims	9,177	5,057
Trauma, disability and medical claims	18,493	6,694
Claims expense	27,670	11,751
Reinsurance recoveries	(16,716)	(7,126)
Net claims expense	10,954	4,625

11 Commissions and Operating expenses

<i>In thousands of New Zealand Dollars</i>		2014 \$000	2013 \$000
Acquisition costs*	Note		
Commissions		52,628	59,568
Equity settled share based payments with advisers	22	1,756	1,380
Other acquisition expenses		22,336	19,754
		<u>76,720</u>	<u>80,702</u>
Maintenance and general growth and development costs			
Commissions		3,957	846
Equity settled share based payments with executive staff	22	430	154
Other maintenance expenses		7,872	7,233
		<u>12,259</u>	<u>8,233</u>
Total commissions and operating expenses		88,979	88,935

* The expense recognition of these items is effectively deferred by the movement in insurance contract assets and liabilities recognised in the profit or loss, in line with the policy set out in Note 1i) (ii).

Included in total commissions and operating expenses are the following:

<i>In thousands of New Zealand Dollars</i>		2014 \$000	2013 \$000
	Note		
Commissions to advisers		58,341	61,794
Amortisation of intangible assets	18	1,901	1,285
Staff expenses		15,994	13,603
Equipment and occupancy expenses*		2,655	1,744
Sales and marketing		5,160	5,720
Professional fees		1,083	1,234
Medical expenses		1,692	1,792
Auditor's remuneration:			
KPMG - Audit of financial statements		196	193
KPMG - Accounting advice		17	35
KPMG - Regulatory reporting		33	33
Other operating expenses		1,907	1,502
Total commissions and operating expenses		88,979	88,935

* Equipment and occupancy expenses includes operating lease expenses \$0.5m (2013: \$0.5m).

12 Taxation

<i>In thousands of New Zealand Dollars</i>		2014 \$000	2013 \$000
Reconciliation of prima facie income tax			
Profit / (loss) before income tax		4,128	8,690
Income tax expense / (benefit) at statutory income tax rate of 28%		1,156	2,433
Increase / (reduction) in income tax expense due to:			
(Non-assessable income) / non-deductible expenses		323	(1,466)
Income tax effect of changes in temporary differences not recognised		569	(99)
Income tax effect of temporary differences reversing at a projected 0% tax rate		275	(1,018)
Income tax effect of current year tax losses not recognised		3,076	3,870
Income tax effect of prior year tax losses not recognised *		1,584	-
Income tax expense reported in the Statement of Comprehensive Income		6,983	3,720
Income tax expense comprises:			
Current tax expense		-	-
Deferred tax expense		6,983	3,720
		<u>6,983</u>	<u>3,720</u>

* Income tax effect of prior tax losses not recognised, relates to the change in prior year deferred tax liability arising from the revised tax basis described below.

For the year ending 31 March 2014, the income tax calculation has been prepared by applying the financial arrangement rules to reinsurance arrangements and broker commissions. In previous years, income tax calculations were prepared on the basis the Company's reinsurance treaty constituted a risk reinsurance treaty for income tax purposes.

The Company has unrecognised income tax losses available to carry forward at 31 March 2014 of \$33,560k, calculated under the financial arrangement rules (2013: \$22,367k, calculated treating reinsurance items as risk reinsurance). The availability of income tax losses carried forward is subject to statutory requirements being met, including shareholder continuity rules. The Company has unrecognised deductible temporary differences at 31 March 2014 of \$2,716k (2013: \$712k). Refer note 2 (iii).

12 Taxation (continued)

In thousands of New Zealand Dollars

Deferred tax liabilities

Balance at beginning of the year

Charged to statement of comprehensive income

Balance at end of the year

Deferred tax liabilities comprise:

Taxable temporary differences within insurance contract assets and liabilities

2014 \$000	2013 \$000
5,771	2,051
6,983	3,720
12,754	5,771
12,754	5,771
12,754	5,771

In thousands of New Zealand Dollars

Imputation Credit Account

Balance at end of year

2014 \$000	2013 \$000
90	62

13 Cash and cash equivalents

In thousands of New Zealand Dollars

Cash at bank

Short term deposits

Total cash and cash equivalents

2014 \$000	2013 \$000
5,723	4,975
17,000	10,121
22,723	15,096

Cash and cash equivalents have a maturity of less than 3 months, or are readily convertible to cash, and are therefore all current.

There are \$Nil (2013: \$121k) security interests granted for the aggregate credit limits on the Westpac Business MasterCard facility. These Term Deposits earn interest on standard commercial terms.

14 Trade and other receivables

In thousands of New Zealand Dollars

Sundry debtors and prepayments

Accrued investment income

Current tax

Amounts due from group companies

Reinsurance premiums paid in advance

Reinsurance recoverable on accrued claims

Trade receivables

Note	2014 \$000	2013 \$000
	322	247
	71	76
	90	62
28	47	-
	442	275
	4,913	2,801
(i)	1,861	1,414
	7,746	4,875

Trade and other receivables

Trade and other receivables have an expected realisation of less than 12 months and are therefore all current, with the exception of \$560k (2013: \$360k) of the reinsurance recoverable on accrued claims, which are non-current.

(i) Trade receivables

In thousands of New Zealand Dollars

Amounts due from advisers

Amounts due from policyholders

2014 \$000	2013 \$000
1,209	863
652	551
1,861	1,414

Trade and other receivables are shown net of a provision established against amounts due from advisers of \$640k (2013: \$280k), being management's assessment of amounts due where collection is doubtful. The gross amount of these impaired receivables is \$673k (2013: \$280k).

15 Investments in securities

In thousands of New Zealand Dollars

	2014 \$000	2013 \$000
New Zealand Government stock	528	516
	528	516

Investments have an expected realisation of less than 12 months and are therefore all current. The government stock matures 15 April 2015. The interest rate on government stock is fixed to maturity.

The total government stock holding at 31 March 2013 was held on the Company's behalf by Public Trust as an authorised deposit under section 3 of the Life Insurance Act 1908, which was repealed in March 2012. The Company has been granted a full licence under the Insurance (Prudential Supervision) Act 2010 with the deposit being returned to the Company on 6 September 2013.

16 Loans and receivables

In thousands of New Zealand Dollars

	2014 \$000	2013 \$000
Secured loans to advisers	884	592
Unsecured loans to advisers	40	88
	924	680
Current	510	540
Non-current	414	140
	924	680

Loans to advisers:

From time to time the Company will enter into a loan agreement with certain of its advisers. Such loans are for a maximum term of three years, with interest charged on standard commercial terms. Secured loans to advisers are secured against all of the assets of the borrower via a charge registered under the Personal Property Securities Act 1999.

Loans and receivables are shown net of impairment losses of nil (2013: nil).

17 Property, Plant and Equipment

In thousands of New Zealand Dollars

Gross carrying amount

	2014 \$000	2014 \$000	Computer equipment 2014 \$000	Total 2014 \$000
Balance at 1 April 2013	206	4	404	614
Additions	15	2	50	67
Balance at 31 March 2014	221	6	454	681

Accumulated depreciation

Balance at 1 April 2013	60	2	164	226
Depreciation expense	43	1	139	183
Balance at 31 March 2014	103	3	303	409

Net carrying value

Balance at 31 March 2014	118	3	151	272
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17 Property, Plant and Equipment (continued)

In thousands of New Zealand Dollars

Gross carrying amount

Balance at 1 April 2012

Additions

Balance at 31 March 2013

Accumulated depreciation

Balance at 1 April 2012

Depreciation expense

Balance at 31 March 2013

Net carrying value

Balance at 31 March 2013

	Office furniture	Office equipment	Computer equipment	Total
	2013	2013	2013	2013
	\$000	\$000	\$000	\$000
Balance at 1 April 2012	154	2	224	380
Additions	52	2	180	234
Balance at 31 March 2013	206	4	404	614
Balance at 1 April 2012	21	1	46	68
Depreciation expense	39	1	118	158
Balance at 31 March 2013	60	2	164	226
Balance at 31 March 2013	146	2	240	388

18 Intangible assets

In thousands of New Zealand Dollars

Gross carrying amount

Balance at 1 April 2013

Acquisitions from third parties

Balance at 31 March 2014

Amortisation and impairment losses

Balance at 1 April 2013

Amortisation for the year

Balance at 31 March 2014

Net carrying value

Balance at 31 March 2014

	Computer software	Product research database	Total
	2014	2014	2014
	\$000	\$000	\$000
Balance at 1 April 2013	4,511	396	4,907
Acquisitions from third parties	1,968	-	1,968
Balance at 31 March 2014	6,479	396	6,875
Balance at 1 April 2013	1,776	220	1,996
Amortisation for the year	1,769	132	1,901
Balance at 31 March 2014	3,545	352	3,897
Balance at 31 March 2014	2,934	44	2,978

In thousands of New Zealand Dollars

Gross carrying amount

Balance at 1 April 2012

Acquisitions from third parties

Balance at 31 March 2013

Amortisation and impairment losses

Balance at 1 April 2012

Amortisation for the year

Balance at 31 March 2013

Net carrying value

Balance at 31 March 2013

	Computer software	Product research database	Total
	2013	2013	2013
	\$000	\$000	\$000
Balance at 1 April 2012	2,422	396	2,818
Acquisitions from third parties	2,089	-	2,089
Balance at 31 March 2013	4,511	396	4,907
Balance at 1 April 2012	623	88	711
Amortisation for the year	1,153	132	1,285
Balance at 31 March 2013	1,776	220	1,996
Balance at 31 March 2013	2,735	176	2,911

The Company has not capitalised any internally developed Computer Software.

19 Trade and other payables

<i>In thousands of New Zealand Dollars</i>	Note	2014 \$000	2013 \$000
Expense creditors and accruals		2,008	3,316
Employee entitlements		2,321	881
Amounts due to group companies	28	134	194
Claim accruals and provisions		7,368	4,017
Trade creditors	(i)	5,463	3,449
		17,294	11,857

Trade and other payables have an expected realisation of less than 12 months and are therefore current, with the exception of claims accruals and provisions, which are non-current of \$739k (2013: \$456k).

(i) Trade creditors

<i>In thousands of New Zealand Dollars</i>	2014 \$000	2013 \$000
Unearned premiums	817	540
Amounts due to advisers	2,417	1,869
Amount due to reinsurers	2,229	1,040
	5,463	3,449

20 Insurance contract assets and liabilities

<i>In thousands of New Zealand Dollars</i>	2014 \$000	2013 \$000
Net insurance contract assets and liabilities contain the following components:		
Present value of future policy benefits	185,792	142,800
Present value of future expenses	141,845	101,583
Present value of future planned margins of revenues over expenses	107,462	116,311
Present value of future premiums	(476,560)	(388,133)
Business valued using an accumulation model *	2,067	8
Net insurance contract assets and liabilities	(39,394)	(27,431)

* As at 31 March 2014, "business valued using an accumulation model" includes Group Life business plus the additional reserve for options and waivers. At 31 March 2013, only the Group Life business was recorded under this heading.

Disclosed as:		
Insurance contract assets	(159,649)	(142,061)
Insurance contract liabilities - reinsurance	107,501	108,859
Deferred tax liability arising on taxable temporary differences within insurance contract assets and liabilities	12,754	5,771
	(39,394)	(27,431)

Estimated discounted net cash inflows from insurance contract assets and liabilities

Less than one year	3,773	2,076
One year to five years	20,266	16,449
Later than five years	(63,433)	(45,956)
Net insurance contract assets and liabilities future net cash inflows	(39,394)	(27,431)

The table above shows the discounted cash flows that comprise the insurance contract assets and liabilities, net of reinsurance and including profit margins, grouped according to the month of projection from balance date.

Reconciliation of movements in insurance contract assets and liabilities (gross of deferred tax liability)

Insurance contract assets - gross of reinsurance		
Opening insurance contract assets	(142,061)	(53,082)
Movement recognised in the Statement of Comprehensive Income	(17,588)	(88,979)
Closing insurance contract assets	(159,649)	(142,061)
Current	(24,078)	(19,727)
Non-current	(135,571)	(122,334)
	(159,649)	(142,061)
Insurance contract liabilities - reinsurance		
Opening insurance contract liabilities - reinsurance	108,859	43,568
Movement recognised in the Statement of Comprehensive Income	(1,358)	65,291
Closing insurance contract liabilities - reinsurance	107,501	108,859
Current	27,851	21,803
Non-current	79,650	87,056
	107,501	108,859

21 Share Capital

Authorised, issued and fully paid up ordinary shares	Notes	In thousands of shares	In thousands of New Zealand Dollars \$'000
Balance at 1 April 2012		21,100	21,995
Issued for cash		14,900	14,900
Other contributed capital:			
Shares granted under share scheme to advisers	11, 22	-	1,380
Shares granted under executive incentive plan	11, 22	-	154
Balance at 31 March 2013		36,000	38,429
Balance at 1 April 2013		36,000	38,429
Issued for cash		17,900	17,900
Other contributed capital:			
Shares granted under share scheme to advisers	11, 22	-	1,756
Shares granted under executive incentive plan	11, 22	-	430
Balance at 31 March 2014		53,900	58,515

All shares have equal voting rights, share equally in dividends and surplus on winding up, and have no par value.

Issue of shares:

On 29 August 2012 10,200,000 shares were issued to Partners Group Holdings Limited at \$1 per share.

On 15 December 2012 4,700,000 shares were issued to Partners Group Holdings Limited at \$1 per share.

On 25 June 2013 11,750,000 shares were issued to Partners Group Holdings Limited at \$1 per share.

On 23 August 2013 6,150,000 shares were issued to Partners Group Holdings Limited at \$1 per share.

22 Equity Settled Share Based Payments

The Company has three share based payment schemes:

a) Shadow share scheme with advisers:

The Shadow share scheme remunerates independent financial advisers and is designed to incentivise advisers to write strong volumes of business while maintaining good persistency over a number of years. The entitlements carry no voting rights.

Partners Group Holdings Limited, through a Deed of Agreement with the Company, has undertaken to bear the liability to advisers arising under the scheme. The Company has no obligation to reimburse or repay Partners Group Holdings Limited. The Company has recognised an expense with respect to the share based payment obligation of \$1,756k at 31 March 2014 (2013: \$1,380k), together with an equivalent contribution to equity from Partners Group Holdings Limited.

The main terms and conditions relating to the scheme are:

Eligibility - the scheme is open to all independent financial advisers who place business with the Company, subject to minimum production criteria in each scheme year. The advisers are allocated a shadow share for each \$20 of issued annual premium, net of lapses, in each scheme year. These vest at the time of allocation.

Non vesting criteria - minimum persistency levels of 85% need to be maintained for a minimum of three years, with additional amounts payable where persistency exceeds 90% and 95%.

Method of settlement - entitlements arising under the scheme are expected to be met through the proceeds from the issue of new shares in the Company. Such an issue is to occur in a 12 month window from the third anniversary of the issue of the first tranche of shadow shares, subject to the terms and conditions of the scheme.

Summary of shadow shares granted under the scheme:	2014	2014	2013	2013
	In thousands of shares	Weighted average exercise price	In thousands of shares	Weighted average exercise price
		\$		\$
Outstanding at the beginning of the year	2,375	\$2.70	952	\$2.25
Granted during the year	1,349	\$3.75	1,423	\$3.00
Outstanding at the end of the year	3,724	\$3.08	2,375	\$2.70
Exercisable at the end of the year	-		-	
Weighted average remaining contractual life	25 months		31 months	
Range of exercise prices	\$2.25 - \$3.75		\$2.25 - \$3.00	

22 Equity Settled Share Based Payments (continued)

Fair values

The fair value of shadow shares issued was valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end "payoff" to reflect conditional outcomes applicable to the scheme at balance date.

The inputs used in the measurement of the fair value of shadow shares granted in the year and at balance date were as follows:

	Shadow shares to advisers				
	Tranche 3	Tranche 2	Tranche 1	Tranche 2	Tranche 1
	at grant date 31 March 2014	at balance date 31 March 2014	at balance date 31 March 2014	at grant date 31 March 2013	at balance date 31 March 2013
Shadow shares fair value per share at grant / balance date	\$1.3014	\$1.4263	\$1.3496	\$0.9700	\$1.0567
Inputs used to measure fair value:					
Grant date	31 March 2014	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Valuation date	31 March 2014	31 March 2014	31 March 2014	31 March 2013	31 March 2013
Fair value of Partners Group Holdings Limited's shares at grant / balance date	\$3.75	\$3.75	\$3.75	\$3.00	\$3.00
Exercise price	\$3.75	\$3.00	\$2.25	\$3.00	\$2.25
Expected volatility	50%	50%	50%	50%	50%
Time to maturity	3 years	2 years	1 years	3 years	2 years
Expected dividend	0	0	0	0	0
Risk-free interest rate	4.08%	3.90%	3.37%	2.57%	2.43%

The exercise price is based on the fair value of the shares of Partners Group Holdings Limited at grant date.

The expected volatility is the expected volatility of the returns in an investment in the Group. The valuation model considers the Group's start up growth phase position at balance date and includes risk factors for the magnitude and sustainability of business growth.

The intrinsic value at balance date of the liability for vested shadow shares is \$2,495k (2013: \$714k).

b) Executive long term incentive plan:

The Executive long term incentive plan is to incentivise and retain key executives and designed to encourage a focus on long term results and the Company's strategic plan.

Shares in the Company's parent are issued to key executives at an issue price of \$2.25, funded by an interest free loan from Partners Group Holdings Limited. Shares issued to key executives are held by a trustee company, PGH Shareplan Trustee Limited. The shares for which service conditions and performance targets are met will fully vest to the executives on repayment of the loan. Any shares for which service or performance targets are not met will be put back to the Company's parent at the issue price in repayment of the loan.

The vesting conditions comprise completion of a defined period of service, growing the value of the Company to a defined level and an equity raising hurdle.

Summary of share entitlements granted under the plan:	2014		2013	
	In thousands of shares	Weighted average exercise price \$	In thousands of shares	Weighted average exercise price \$
Outstanding at the beginning of the year	1,025	\$2.25	-	\$0.00
Granted during the year	-	\$0.00	1,025	\$2.25
Outstanding at the end of the year	1,025	\$2.25	1,025	\$2.25
Exercisable at the end of the year	-		-	
Weighted average remaining contractual life	15 months		27 months	

22 Equity Settled Share Based Payments (continued)

Fair values

The fair value of shares granted was valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end "payoff" to reflect conditional outcomes applicable to the plan at balance date.

The performance hurdle terms on which the tranche 2 shares are granted, were modified during the period. The effect is an increase in the weighted average fair value from \$0.60 to \$0.64. The incremental fair value granted has been included in the amount recognised for services received over the remaining period, as consideration for the shares granted.

The inputs used in the measurement of the fair value at grant date were as follows:

	Executive long term incentive plan	
	2014	2013
Fair value at grant date	\$0.64	\$0.60
Inputs used to measure fair value:		
Fair value of Partners Group Holdings Limited's shares at grant date	\$2.25	\$2.25
Exercise price	\$2.25	\$2.25
Expected volatility	50%	50%
Time to maturity	3 years	3 years
Expected dividend	0	0
Risk-free interest rate	2.63% - 3.33%	2.63%

The exercise price is based on the fair value of the shares of Partners Group Holdings Limited at grant date.

The expected volatility is the expected volatility of the returns in an investment in the Group. The valuation model considers the Group's start up growth phase position at balance date and includes risk factors for the magnitude and sustainability of business growth.

c) Executive share option plan:

The Executive share option plan is designed to retain targeted senior executives and align the incentives of the participants with the interests of the Partners Group Holdings Limited shareholders. Invited participants will be issued with options to subscribe for ordinary shares in Partners Group Holdings Limited under the rules of the plan.

The plan rules contain a performance hurdle in respect of Partners Group Holdings Limited future share price on a defined date. If the performance hurdle is met, the participants have the right to exercise their options to purchase ordinary shares in Partners Group Holdings Limited at a defined exercise price. Participants also have the option to select a net settlement alternative whereby they will be issued a number of shares which reflects the difference between the exercise price and the fair value price of Partners Group Holdings Limited shares at the time the options are exercisable, for nil consideration.

The vesting conditions comprise the achievement of performance hurdles set by the Board, and the participant remaining employed by the Company at the exercise date.

Summary of option entitlements granted under the plan:

	2014	2014
	In thousands of options	Weighted average exercise price \$
Outstanding at the beginning of the year	-	\$0.00
Granted during the year	1,190	\$3.00
Outstanding at the end of the year	1,190	\$3.00
Exercisable at the end of the year	-	
Weighted average remaining contractual life	28 months	

Fair values

The fair value of options granted was valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end "payoff" to reflect conditional outcomes applicable to the plan at balance date.

The inputs used in the measurement of the fair value at grant date were as follows:

	Executive share option plan
	2014
Fair value at grant date	\$0.79
Inputs used to measure fair value:	
Fair value of Partners Group Holdings Limited's shares at grant date	\$3.00
Exercise price	\$3.00
Expected volatility	50%
Time to maturity	2.75 years
Expected dividend	0
Risk-free interest rate	3.33%

The exercise price is based on the fair value of the shares of Partners Group Holdings Limited at grant date.

The expected volatility is the expected volatility of the returns in an investment in the Group. The valuation model considers the Group's start up growth phase position at balance date and includes risk factors for the magnitude and sustainability of business growth.

23 Financial Instruments - Determination of fair value and fair value hierarchy

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data

Level 1 - Included in this category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arms length basis. Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

Level 2 - Included in this category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. Main asset classes included in this category are financial assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in hedge funds, private equity funds with fair values obtained via fund managers and assets that are valued using own models whereby the majority of assumptions are market observable.

Level 3 - Not based upon market observable input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Main asset classes in this category are hedge funds, private equity and limited partnerships.

The fair value of the financial assets are summarised in the table below:

Financial classification

2014

In thousands of New Zealand Dollars

Financial assets at fair value through profit and loss

Cash and cash equivalents

Investment in securities

	Level 1 Amount 31 March 2014 \$000	Level 2 Amount 31 March 2014 \$000	Level 3 Amount 31 March 2014 \$000	Total fair value 31 March 2014 \$000
Cash and cash equivalents	22,723	-	-	22,723
Investment in securities	528	-	-	528
	23,251	-	-	23,251

2013

In thousands of New Zealand Dollars

Financial assets at fair value through profit and loss

Cash and cash equivalents

Investment in securities

	Level 1 Amount 31 March 2013 \$000	Level 2 Amount 31 March 2013 \$000	Level 3 Amount 31 March 2013 \$000	Total fair value 31 March 2013 \$000
Cash and cash equivalents	15,096	-	-	15,096
Investment in securities	516	-	-	516
	15,612	-	-	15,612

24 Financial Instruments

Fair values

The following table sets out the carrying amount of all of the Company's financial instruments that are recognised in the financial statements, which approximates their fair value.

	Carrying Amount / Fair Value	
	2014	2013
	\$000	\$000
<i>In thousands of New Zealand Dollars</i>		
<i>Financial assets:</i>		
Cash and cash equivalents	22,723	15,096
Trade and other receivables (excluding prepaid expenses and reinsurance premiums and reinsurance recoverable on accrued claims)	2,069	1,552
Investment in securities	528	516
Loans and receivables	924	680
	26,244	17,844
<i>Financial liabilities:</i>		
Expense creditors and accruals	2,008	3,316
Employee entitlements (excluding annual leave provision)	1,620	301
Amounts due to group companies	134	194
Trade creditors (excluding unearned premiums)	4,646	2,909
	8,408	6,720

25 Cash Flow Reconciliation

	2014	2013
	\$000	\$000
<i>In thousands of New Zealand Dollars</i>		
Profit / (Loss) after Income Tax	(2,855)	4,970
<i>Non-cash items and non-operating items:</i>		
Depreciation	183	159
Amortisation of intangible assets	1,901	1,286
Share based payments	2,186	1,534
Unrealised loss on New Zealand Government Stock	22	19
<i>Movement in insurance contract assets and liabilities:</i>		
Movement in insurance contract assets	(17,588)	(88,979)
Movement in insurance contract liabilities - reinsurance	(1,358)	65,291
<i>Movements in working capital:</i>		
(Increase) / decrease in sundry debtors and prepayments	(75)	30
(Increase) / decrease in reinsurance premiums paid in advance	(167)	(144)
(Increase) / decrease in trade receivables	(2,582)	(2,813)
(Increase) / decrease in Government Stock	(34)	-
(Decrease) / increase in provision for employee entitlements	1,440	(486)
Increase / (decrease) in expense creditors and accruals	(1,308)	441
Increase / (decrease) in deferred tax liability	6,983	3,719
Increase / (decrease) in trade creditors	5,365	4,567
Net cash flows from operating activities	(7,887)	(10,406)

26 Commitments

Lease commitments:

Operating leases relate to office facilities with lease terms of between 1 to 4 years, with an option to extend for a further 3 years. All operating lease contracts contain market review clauses in the event that the Company exercises its option to renew. The Company does not have an option to purchase the leased asset at the expiry of the lease period.

Future minimum rentals payable under non-cancellable operating leases as follows:

	2014	2013
	\$000	\$000
<i>In thousands of New Zealand Dollars</i>		
Less than one year	542	549
Between one and five years	39	536
	581	1,085

Capital commitments:

The Company has commitments for the purchase of intangible assets and property, plant and equipment at 31 March 2014 of \$94k (2013: \$109k).

27 Contingent Liabilities

The Company has no contingent liabilities at 31 March 2014 (2013: Nil).

28 Related Parties

(i) Parent company

Partners Life Limited is a wholly owned subsidiary of Partners Group Holdings Limited, a company incorporated in New Zealand.

Parent	Principal Activity
Partners Group Holdings Limited	Holding Company

Wholly owned subsidiaries of Partners Group Holdings Limited

Partners Life Limited	Life Insurance and related activities
Unique Solutions and Advice Limited	Insurance brokerage (now non-trading)
US Advisor Limited	Insurance brokerage (now non-trading)
PGH Shareplan Trustee Limited (incorporated on 29 August 2012)	Trustee Company

(ii) Transactions with key management personnel

Compensation of key management personnel

<i>In thousands of New Zealand Dollars</i>	Notes	2014 \$000	2013 \$000
Fees paid to non-executive directors		175	185
Remuneration paid to executive directors and other key management personnel		5,853	4,211
Equity settled share based payments	11, 22	430	154
		6,458	4,550

Key management personnel are defined as being directors and senior management of the Company, those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

Transactions with Related Parties

In thousands of New Zealand Dollars

(iii) Counterparty (relationship)

Partners Group Holdings Limited (parent company)

	2014 \$000 Received / (Paid)	2013 \$000 Received / (Paid)
Issue of Shares	17,900	14,900
Contribution in respect of Shadow Share Scheme	1,756	1,380
Contribution in respect of Executive Incentive Scheme	430	154
Reimbursement of expenses (inclusive of GST)	(279)	(265)

Unique Solutions and Advice Limited

Reimbursement of expenses and fixed asset purchases (inclusive of GST)	(60)	(80)
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(iv) Balances with Related Parties

In thousands of New Zealand Dollars

	Note	2014 \$000 Receivable/ (Payable)	2013 \$000 Receivable/ (Payable)
Partners Group Holdings Limited	14	47	-
Unique Solutions and Advice Limited - Intercompany account	19	(134)	(194)

The balances with Partners Group Holdings Limited and Unique Solutions and Advice Limited are non interest bearing, unsecured, payable on demand and settlement occurs in cash.

29 Subsequent Events

On 20 June 2014, 31.33 million shares were issued to Partners Group Holdings at \$1 per share, fully paid in cash, bringing total shares on issue to 85.23 million.

Independent auditor's report

To the shareholder of Partners Life Limited

Report on the financial statements

We have audited the accompanying financial statements of Partners Life Limited ("the company") on pages 4 to 34. The financial statements comprise the statement of financial position as at 31 March 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Our firm has also provided other services to the company in relation to accounting advice and regulatory reporting. 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.

Opinion

In our opinion the financial statements on pages 4 to 34:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company as at 31 March 2014 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

KPMG

14 July 2014
Auckland

PARTNERS LIFE LIMITED (“the Company”) CORPORATE GOVERNANCE STATEMENT

The Company’s Board of Directors (the Board) recognises the importance of good corporate governance, particularly its role in protecting the interests of all stakeholders and delivering improved performance.

Directors are elected by the shareholders of Partners Group Holdings Limited and are accountable for the performance of the group and compliance with all applicable laws and standards.

Responsibilities of the Board

The Board is responsible for establishing, monitoring and updating the Company’s corporate governance framework, and is committed to carrying out this role in accordance with best practice and all applicable laws and regulations.

The Board is the overall body, with dual responsibilities for controlling and monitoring the operations of the Company on behalf of the shareholders of the Company’s parent and sole shareholder, Partners Group Holdings Limited and the protection of the Company’s policyholders.

The Board Charter sets out the Board’s role and responsibilities and regulates Board procedures.

Specific responsibilities of the Board include:

- Ensuring the Company continuously meets the requirements for licensed insurers set by the Reserve Bank of New Zealand;
- Setting strategic goals and establishing business plans, as well as monitoring performance against those goals and plans;
- Monitoring the performance of the Managing Director and the senior management team;
- Setting delegated levels of authority for the Managing Director and senior management team;
- Overseeing the financial position of the Company, including capital management and approving and monitoring capital expenditure;
- Ensuring all appropriate policies, controls, systems and procedures are in place to manage business risks and to ensure compliance with all regulatory, prudential and ethical standards;
- Approving annual and half yearly accounts and other regulatory reporting (such as solvency returns);
- Identifying risks and initiating action to mitigate and manage risks in line with the Company’s Risk Management Policy and reporting any material changes in that policy to the Reserve Bank of New Zealand as required;
- Reviewing and approving the Company’s Business Continuity and Disaster Recovery Plans;

- Maintaining the highest business standards and ethical behaviour; and
- Reviewing and approving remuneration policy and incentive programmes for employees.

Structure of the Board

The Board comprises 2 Executive Directors and 4 Non-Executive Directors.

The Board's collective experience includes a balance of insurance, management, financial, investment, administrative and market expertise appropriate for the requirements of the business.

All Directors are certified under the Reserve Bank of New Zealand's Fit and Proper requirements, in line with the Company's Fit and Proper Person Policy.

Half of the Directors are independent, as noted in the table below.

The qualifications and experience of the Directors are also set out in the table below:

DIRECTOR	ROLE	BIOGRAPHY
Naomi Ballantyne	Managing Director	<p>Naomi was a founding employee of Sovereign and helped lead its corporate culture during her time there.</p> <p>Naomi founded Club Life in 2001 and continued to lead the company for five years after she sold the company to ING (NZ) Ltd in 2004, during which time ING Life experienced rapid growth to become the second largest life insurance company in New Zealand by new business market share.</p> <p>Naomi left ING Life in September 2009 to build a new, nationwide advisory business called US Advice. US Advice was acquired by the Partners Group in August 2011 to become the base for the group's adviser services arm.</p>
Chris Coon	Executive Director and Company Actuary	<p>Chris is a qualified actuary and held a number of positions with life insurance companies in the United Kingdom before immigrating to New Zealand in 1986.</p> <p>In 1989 Chris founded Sovereign Assurance, which grew to become the largest life insurance company in New Zealand. Sovereign was sold to the Commonwealth Bank of Australia in December 1998.</p> <p>Chris then went on to create Sentinel Limited, a home equity release specialist, with his brother Richard.</p>

Sam Knowles	Chairman and Non-Executive Director (Independent)	<p>Sam has had a successful career in the Australian and New Zealand financial sector with more than 20 years' experience at senior management level. Sam was Chief Executive Officer of Kiwibank from July 2000 to October 2010, Chief Executive Officer of At Work Insurance Limited from March 1999 to June 2000 and has held a number of other senior management roles in the banking industry.</p> <p>Sam is currently Chairman of Unlimited Realities Limited and OnBrand Limited and is also a director of Trustpower Limited, SLI Systems Limited, Synlait Limited, Rangatira Limited and Angel HQ Inc.</p> <p>Sam holds a Bachelor of Science from Waikato University and a Master of Science from the University of Canterbury.</p>
Joanna Perry	Audit & Risk Committee Chairman and Non-Executive Director (Independent)	<p>Joanna is an experienced non-executive director currently holding governance positions with Genesis Energy (Deputy Chair), Trade Me Group, Kiwi Income Property Trust, the Co-operative Bank, Tainui Group Holdings, Sport New Zealand, New Zealand Rowing and the Investment Advisory Panel of the Primary Growth Partnership (Chairman). She is also Chairman of the IFRS Advisory Council.</p> <p>Joanna was previously a partner at KPMG, a member of the Securities Commission, Chair of the Financial Reporting Standards Board and a member of the Australian Accounting Standards Board.</p> <p>Joanna was awarded Membership of the New Zealand Order of Merit in 2010 for services to accounting. She holds a Master of Arts, Economics, from Cambridge University, qualified as a member of the Institute of Chartered Accountants in England and Wales and is a fellow of the New Zealand Institute of Chartered Accountants.</p>
Paul Chrystall	Non-Executive Director	<p>Paul is the Managing Director of the private equity firm Maui Capital Limited. As part of this role he sits on the boards of various Maui Capital investments and is currently a director of Freshmax Limited, Diversified Mining Services Limited and Vantage Finance.</p> <p>Before co-founding Maui Capital in 2008, Paul was Head of Private Equity at Goldman Sachs JB Were (New Zealand) where he founded and managed the Hauraki Private Equity Funds. Prior to his career in private equity, Paul held a number of senior positions across diversified industries in New Zealand and the United Kingdom. In these positions he focused on finance management, restructure and turn around, mergers & acquisitions, valuation and investment, performance management and investment strategy.</p>

		Paul holds a Bachelor of Commerce from the University of Auckland.
Lance Jenkins	Non-Executive Director (Independent)	<p>Lance has over 20 years of financial markets experience having worked in New York, Sydney and Auckland. During that time he held senior roles with Goldman Sachs JB Were in New York and more latterly as CEO and Managing Director of Goldman Sachs JB Were New Zealand.</p> <p>Prior to joining Waterman Capital, Lance was Head of Cash Equities for the Commonwealth Bank of Australia, based in Sydney. He is currently an Executive Director of Waterman Capital and an independent director of Spicers Portfolio Management Limited.</p> <p>Lance holds an MBA from New York University (Stern) and an LLB and BCA from Victoria University, Wellington.</p>

Governance Structure

The Company is the trading entity within the wider Partners Group, as such its governance structure is linked to the Group's governance structure, which includes separate Board sub-committees for Audit & Risk and Remuneration.

The Chair of the Board and Chair of the Audit & Risk Committee are separated and held by independent directors.

The Board has approved the delegation of certain responsibilities to the Managing Director and the senior management team via a formal Delegation of Authority policy.

The senior management team are responsible for the implementation of strategies approved by the Board, providing recommendations to the Board on business strategies, the management of business risk and the overall day-to-day management of the Company.

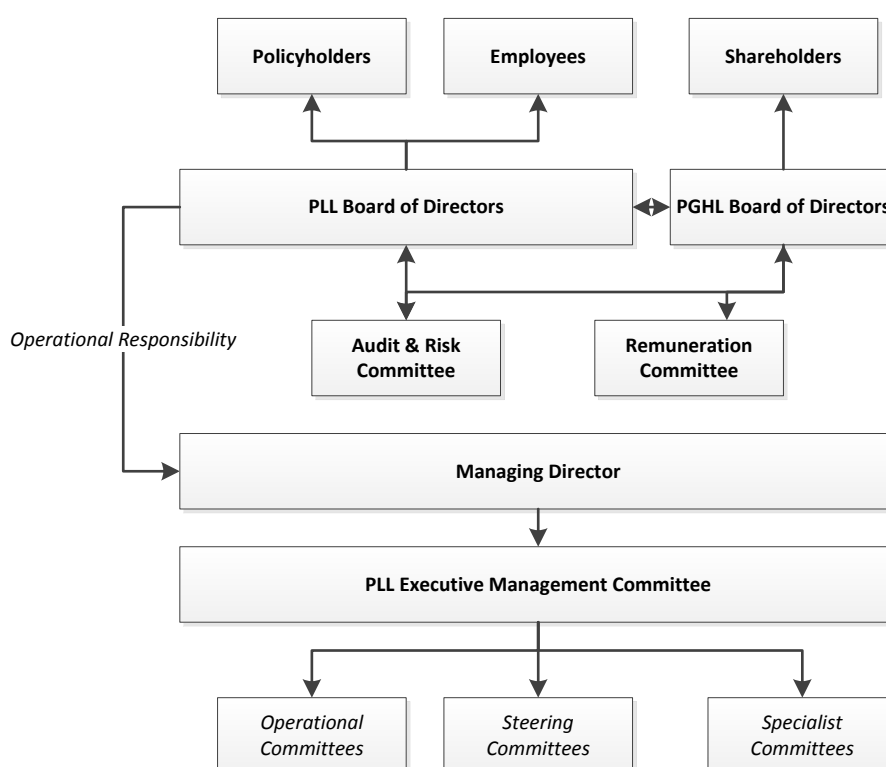
The Board undertakes an annual strategic planning process and approves the annual budget prepared by management based on the strategic direction set by the Board.

The Board monitors the actual performance of the company against budget on a regular basis.

Evaluations of the Managing Director and the senior management team are based on set criteria, including the overall performance of the business, the achievement of key performance measurements, the accomplishment of strategic goals and other non-quantitative objectives agreed at the beginning of each financial year, such as the delivery of specific projects.

The Board has a formal review of its performance on an annual basis.

Diagrammatically, the corporate governance structure of the wider group is set out as follows:



Ethical Conduct

The Board maintains the highest standards of ethical conduct and the Managing Director is charged with the responsibility of ensuring these high standards are maintained by all staff throughout the organisation.

The Board has put in place a Conflict of Interest Policy. Where conflicts of interest do exist, Directors excuse themselves from any relevant discussions and do not exercise their right to vote on any matters where a conflict of interest exists.

Integrity of Financial Reporting

The Board is committed to a fully transparent system for the reporting and audit of the Company's financial performance.

The Board has established an Audit and Risk Committee, chaired by an independent, Non-Executive Director. The Audit and Risk Committee is central to the achievement of this goal.

The Audit and Risk Committee comprises Joanna Perry (Chair), Paul Chrystall, Lance Jenkins and Richard Coon, who is a director of the company's parent Partners Group Holdings Limited.

All directors of the company receive the papers of, and are welcome to attend any meeting of, the Audit and Risk Committee.

The Audit and Risk Committee operates under its own charter, its primary responsibilities being:

- Review and make recommendations to the Board on the accounting policies of the Company, the effect of any changes in accounting policies and related reporting issues;
- Independently review the external financial reporting and other regulatory reporting (such as solvency returns) that require Board approval and make recommendations to the Board relating to the approval of these documents and associated attestations;
- Review annually the performance and independence of the External Auditor and make recommendations, for the approval of shareholders, to the Board for the appointment of the External Auditor and the quantum of their fees;
- Review and agree the annual audit plan with the External Auditor;
- Discuss with the External Auditor any audit issues encountered in the course of their duties and ensure any significant findings and recommendations made by the External Auditor are acted on appropriately by management;
- Review annually the performance and independence of the Appointed Actuary and make recommendations to the Board for the appointment of the Appointed Actuary and the quantum of their fees;
- Discuss with the Appointed Actuary any issues encountered in the course of their duties and ensure any significant findings and recommendations made by the Appointed Actuary are acted on appropriately by management;
- Consider and review with management and the External Auditor the adequacy of the Company's internal controls and risk management programme; and
- Monitor and assess the Company's compliance with significant laws and regulations.

Insurance and Indemnities

The company has put in place Directors' and Officers' Liability insurance to cover risks arising out of acts or omissions of Directors and employees whilst acting in such a capacity. This cover does not extend to dishonest, fraudulent, malicious or wilful acts or omissions.

Deeds of Indemnity have been given to Directors and certain senior managers in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as Directors and senior managers.

Policies & Responsibilities

The Board maintains a number of policies, practices, and processes as part of the corporate governance framework. The Board, and each sub-committee, have specific charters and relevant policies exist for:

- Risk Management;
- Capital Management;
- Fit & Proper Persons;
- Conflict of Interest;
- Crisis Management; and
- Delegations of Authority.

The Board remains ultimately responsible for corporate governance, but has formed the Audit & Risk and Remuneration committees to assist it in discharging its responsibilities. Each committee can advise and make recommendations, however final decision making rests with the Board.



14 July 2014

Mr Sean Kam
Chief Financial Officer
Partners Life Limited
TAKAPUNA

Dear Sir

Report under section 78 of the Insurance (Prudential Supervision) Act 2010
Review of *actuarial information* for Partners Life Limited 31 March 2014

- a) This report has been completed by Linda Caradus FNZSA FIAA, Appointed Actuary to Partners Life Limited.
- b) I have provided to the Board of Partners Life Limited a Financial Condition Report as at 31 March 2014. My report was dated 14 July 2014. In that report I provided my assessment of the overall financial condition of Partners Life Limited, having reviewed the operations of the company, its finances and its approach to risk management. My report also set out an assessment of the Company's current and expected future solvency position determined under the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand in August 2011. My report was prepared in accordance with both that Solvency Standard and Professional Standard No 13 "Life Insurers – Financial Condition Report" issued on 10 July 2013 by the NZ Society of Actuaries.
- c) There were no restrictions or limitations placed on my work or on my report.
- d) I have no relationship with Partners Life Limited other than being its Appointed Actuary. I hold no interests in Partners Life Limited.
- e) I obtained all of the information I required.
- f) In my opinion and from an actuarial perspective:
 - i. the actuarial information included in the Partners Life Limited financial statements as at 31 March 2014 was appropriately included in those financial statements, and
 - ii. the actuarial information used in the preparation of the Partners Life Limited financial statements as at 31 March 2014 was used appropriately.
- g) The solvency margin that applies to Partners Life Limited under a condition imposed under section 21(2)(b) of the Insurance (Prudential Supervision) Act 2010 as at 31 March 2013 was the margin set out in the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand in August 2011. In my opinion and from an actuarial perspective, Partners Life Limited is maintaining that solvency margin as at 31 March 2014.

Yours faithfully

Linda Caradus
Fellow of the NZ Society of Actuaries