

TELECO INSURANCE (NZ) LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2014

This annual report is signed on behalf of the Board by:

A handwritten signature in blue ink, appearing to be 'R. Quince'.

Richard Quince
DIRECTOR

A handwritten signature in blue ink, appearing to be 'M. Laing'.

Mark Laing
DIRECTOR

20 November 2014

COMPANY DIRECTORY

Nature of business:	Insurance
Registered Office:	Level 2 Spark City 167 Victoria Street West, AUCKLAND, 1142
Company registration number	509425
Directors	Richard Quince, Mark Leslie Laing
Shareholder	Spark New Zealand Limited
Auditors	KPMG 10 Customhouse Quay Wellington
Bankers	Westpac Banking Corporation

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 June 2014	30 June 2013
		\$000's	\$000's
Insurance premiums		8,475	6,632
Expenses			
Claims incurred	2	(7,004)	(5,174)
Operating expenses	3	(177)	(222)
Underwriting surplus		1,294	1,236
Investment income	4	2,257	2,081
Profit before income tax		3,551	3,317
Income tax	5	(1,008)	(929)
Total Comprehensive Income for the period		2,543	2,388

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital	Retained Earnings	Total Equity
	\$000's	\$000's	\$000's
Balance at 1 July 2012	1	26,850	26,851
Profit for the year	-	2,388	2,388
Total comprehensive income for the period	-	2,388	2,388
Balance at 30 June 2013	1	29,238	29,239
Balance at 1 July 2013	1	29,238	29,239
Profit for the year	-	2,543	2,543
Total comprehensive income for the period	-	2,543	2,543
Balance at 30 June 2014	1	31,781	31,782

The accompanying notes form part of and are to be read in conjunction with these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2014

	Notes	30 June 2014	30 June 2013
		\$000's	\$000's
ASSETS			
Current assets:			
Cash		31	1
Interest receivable		17	30
Amounts owing from related parties	11	39,644	36,945
Investments – government securities		500	-
GST receivable		-	3
Deferred tax	6	47	44
Total current assets		40,239	37,023
Non-current asset:			
Investments – government securities		-	500
Total assets		40,239	37,523
LIABILITIES AND EQUITY			
Current liabilities:			
Fire Service levies payable		50	50
Outstanding claims liability	7	895	807
Unearned revenue		379	317
Amounts owing to related parties	11	621	666
Tax payable	5	1,012	944
Total current liabilities		2,957	2,784
Non-current liabilities:			
Redeemable preference shares	8	5,500	5,500
Total liabilities		8,457	8,284
Equity:			
Retained earnings	9	31,781	29,238
Share capital		1	1
Total equity		31,782	29,239
Total liabilities and equity		40,239	37,523

The accompanying notes form part of and are to be read in conjunction with these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 June 2014	30 June 2013
		\$000's	\$000's
Cash flow from operating activities			
Cash received from insurance premiums		8,215	6,346
Cash paid for replacement handsets		(6,467)	(3,934)
Interest income		2,271	2,095
Cash paid for other operating activities		(609)	(637)
Tax paid		(940)	(984)
Net cash flows applied from operating activities		2,470	2,886
Cash flow from investing activities			
(Increase) in intercompany investments		(2,440)	(2,885)
Net cash flows applied (to) investing activities		(2,440)	(2,885)
Net cash flow		30	1
Net cash at beginning of period		1	-
Net cash position at end of period		31	1

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Approved by the directors



Richard Quince

DIRECTOR

Authorised for issue on



Mark Leslie Laing

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

Note 1 ACCOUNTING POLICIES

OWNERSHIP AND ACTIVITIES

Teleco Insurance (NZ) Limited (the "Company") was incorporated in New Zealand on 18 July 1991 in the name of Telecom North Limited as a wholly-owned subsidiary of Telecom Corporation of New Zealand Limited (the "parent company" or "Telecom"). The Company changed its name to Teleco Insurance (NZ) Limited effective from 1 August 1995. Telecom Corporation of New Zealand Limited changed its name to Spark New Zealand Limited on 8 August 2014. Spark and its subsidiaries together form the "Spark Group".

The principal activity of the Company is to provide insurance policies for mobile phone handsets sold by the Spark Home Mobile and Business unit. The Company has a credit rating with Standard and Poor's of BBB+, which was reaffirmed on 22 May 2014.

BASIS OF PREPARATION

The Company is a profit-orientated entity. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to New Zealand International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for profit-orientated entities.

From 1 April 2014, the new Financial Reporting Act 2013 came into force replacing the Financial Reporting Act 1993 and is effective for all for-profit entities with reporting periods beginning on or after 1 April 2014. This will be effective for the company's 30 June 2015 year end. The change in legislation is not expected to have a material impact on the company's obligation to prepare general purpose financial statements.

The company has adopted External Reporting Board Standard A1, Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The company is a Tier 1 entity. There was no impact on the current or prior year financial statements.

The introduction of the Insurance (Prudential Supervision) Act 2010 has resulted in all insurers carrying on insurance business in New Zealand being required to be licensed by the Reserve Bank of New Zealand ("RBNZ"). The Company was granted full license on 10 June 2013. In accordance with the terms of the license, the Company is deemed to be an issuer under section 4(i)(da) of the Financial Reporting Act 1993.

For the year ended 30 June 2014, in line with the previous paragraph, the Company has prepared full financial statements under NZ IFRS as required for all issuers.

The accounting policies set out in the Statements of Accounting Policies have been applied in preparing financial statements for the year ended 30 June 2014 and for the comparative information presented for the year ended 30 June 2013.

PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars, the Company's functional currency.

MEASUREMENT BASIS

The measurement basis adopted in the preparation of these financial statements is historical cost, with the exception of surplus funds (or cash) invested with Spark Finance Limited ("Spark Finance") and the outstanding claims liability. Both of these are stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

PREMIUM REVENUE

Premium revenue comprises amounts charged to the policy holders. The earned portion of premiums received and receivable is recognised as revenue. Premium is earned over the indemnity period based on the pattern of risks underwritten, from the date of attachment of risk. Unearned revenue comprises the element of the monthly premiums paid in advance by customers part way through the month preceding the year-end, that relates to insurance coverage post the year-end reporting date.

FOREIGN CURRENCIES

Foreign currency transactions are translated to New Zealand dollars at the exchange rate ruling at the date of the transactions.

NON-DERIVATIVE FINANCIAL INSTRUMENT

Government Securities held to maturity are non-derivative financial assets that are measured at amortised cost using the effective interest method.

TAXATION

The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for non-temporary differences. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Deferred taxation is recognised using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for temporary differences arising on initial recognition of an asset or liability (unless arising in a business combination or impacting profit or loss). Future tax benefits are recognised where realisation of the asset is probable. Deferred tax is determined based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Current and deferred tax is recognised in the income statement, except when the tax relates to items charged or credited directly in equity or other comprehensive income, in which case the tax is also recognised in equity and other comprehensive income.

CLAIMS AND OUTSTANDING CLAIMS LIABILITY

Claims incurred expense consists of payment for claims and the movement in the outstanding claims liability. Claims represent the benefits paid or payable to the policyholder on the occurrence of an event giving rise to a claim according to the terms of the policy. Claims expenses are recognised in the profit and loss according to the point in time when the event giving rise to the claim occurs. The claims liability includes a central estimate of claims reported but not yet paid; claims incurred but not yet reported; expected direct and indirect claims settlement costs, plus a risk margin.

The value of outstanding claims has not been discounted because the period between the date of claim and the settlement date is short (within one year) and the valuation estimates of an expected level of payment allows for current inflation. The variation in outcome of the claims liability will be small because the valuation of claims for replacement mobile handsets is based on current retail prices, the number of open claims relating to the financial year is known, and the insurance settlement date is short.

FINANCIAL ASSETS BACKING GENERAL INSURANCE LIABILITIES

The company's financial assets consist primarily of surplus funds invested with Spark Finance, and these funds are used to back both general insurance liabilities and financial liabilities arising under non-insurance contracts. Financial assets have been valued based on historical cost, with the exception of the funds invested with Spark Finance which are classified at fair value.

INTEREST INCOME

Interest income is recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

	30 June 2014	30 June 2013
	\$000's	\$000's
<i>Note 2 CLAIMS INCURRED</i>		
Claims incurred in current year	(6,454)	(4,659)
Risk margin adopted	(117)	(105)
Claims management fee	(433)	(410)
Total claims incurred expense	<u>(7,004)</u>	<u>(5,174)</u>

Claims incurred in current year relate fully to risks borne in the current year.

	30 June 2014	30 June 2013
	\$000's	\$000's
<i>Note 3 OPERATING EXPENSES</i>		
Credit rating fee	(45)	(51)
Other administrative expenses	(132)	(171)
Total operating expenses	<u>(177)</u>	<u>(222)</u>

Audit fees for the year ended 30 June 2014 of \$8,750 (2013: \$8,750) were paid on the Company's behalf by a fellow subsidiary of the parent company. These are not recharged to the Company. Directors' fees paid for the year ended 30 June 2014 were \$10,000 (2013: \$7,500). The company had no employees in the current year (2013: nil).

	30 June 2014	30 June 2013
	\$000's	\$000's
<i>Note 4 INVESTMENT INCOME</i>		
Government securities – interest income	17	17
Intercompany interest income (refer note 11)	2,240	2,064
Total investment income	<u>2,257</u>	<u>2,081</u>

	30 June 2014	30 June 2013
	\$000's	\$000's
<i>Note 5 INCOME TAX</i>		
Current income tax		
Current year income tax	997	944
Adjustment in respect of prior periods	14	-
Deferred income tax		
Provisions	(3)	(15)
Income tax expense per statement of comprehensive income	<u>1,008</u>	<u>929</u>
Profit before income tax	3,551	3,317
Tax at 28%	994	929
Adjustment in respect of prior periods	14	-
Income tax expense per statement of comprehensive income	1,008	929
Adjustment for tax timing adjustments	3	15
Total income tax charge for the period	1,011	944
Opening balance of tax liability	944	984
Adjustment in respect of prior periods	(14)	-
Tax paid and inter-group allocation	(929)	(984)
Closing balance of tax payable	<u>1,012</u>	<u>944</u>

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

	30 June 2014	30 June 2013
	\$000's	\$000's
<i>Note 6 DEFERRED TAX</i>		
Balance at the beginning of the year	44	29
Adjustment in respect of prior periods	-	-
Relating to current period	3	15
Balance at close of the year	<u>47</u>	<u>44</u>

	30 June 2014	30 June 2013
	\$000's	\$000's
<i>Note 7 OUTSTANDING CLAIMS LIABILITY</i>		
Outstanding claims liability	778	702
Risk margin (15%)	117	105
Total current outstanding claims liability	<u>895</u>	<u>807</u>

The Outstanding Claims Liability is calculated retrospectively based on claims reported but not yet settled at the end of June, plus claims incurred prior to the year-end but not yet reported (IBNR). The IBNR is calculated using an average term to settlement based on historic settlement patterns, which for the current and previous financial years was deemed to be 50% of the total claims settlement value for the month subsequent to the year-end date.

The variation in outcome of the claims liability will be small because the valuation of claims for replacement mobile handsets is based on current retail prices, the number of open claims relating to the financial year is known, and the insurance settlement date is short.

Paul Rhodes FNZSA FIA is the Appointed Actuary for the Company. He is a partner of PwC and a Fellow of the New Zealand Society of Actuaries and a Fellow of the Institute of Actuaries (London).

The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability and there were no qualifications contained in the actuarial advice.

The actuary has nominated a 15% risk margin based on industry benchmarking as reasonable to allow for uncertainty in the central estimate of claims and to achieve a 75% probability of sufficiency of the provision. A 1% increase / (decrease) in the risk margin assumption would increase / (decrease) the reported profit, outstanding claims liabilities and equity of the company for the year by \$7,000.

The liability adequacy test which was performed as at 30 June 2014 identified a small surplus for the company (30 June 2013: surplus).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Reconciliation of Movement in Claims Liability:

	30 June 2014 \$000's	30 June 2013 \$000's
Balance at beginning of year	807	394
Claims notified	6,963	4,628
Claims paid	(6,895)	(4,410)
Movement in risk margin	11	54
Movement in claims incurred but not reported (IBNR)	7	141
Movement in Aon fees to settle claims (IBNR)	2	-
Balance at end of year	<u>895</u>	<u>807</u>

Note 8 REDEEMABLE PREFERENCE SHARES

The Company has 550 fully paid redeemable preference shares on issue (2013: 550), each with a value of \$10,000. The shares have no fixed repayment date and the holder, Spark New Zealand Limited, can ask for repayment at any time by providing written notice to the Company. The holder has no intention of requesting repayment within the next year.

Redeemable preference shares have no voting rights. The holder of the preference shares has the right on winding up of the Company to payment in priority to the holders of ordinary shares of the Company of the redemption amounts of each preference share held, calculated as at the date of distribution. All other rights conferred to the holder of either ordinary or preference shares are the same.

Note 9 EQUITY

As at 30 June 2014 there were 100 fully paid \$1 ordinary shares on issue (2013:100). Each share confers on the holder the right to vote at any meeting of shareholders.

The Company maintains equity in the form of retained earnings of \$31,782,244 (2013: \$29,239,000), and the Directors believe that this is an appropriate level to cover its exposure to risk based on annual aggregate exposure and loss history.

Note 10 RISK MANAGEMENT

The Company is exposed to a number of risks in the normal course of business, primarily insurance risk, financial risk (liquidity risk and interest rate risk), credit risk and capital adequacy.

a. Insurance risk

The Company's main insurance risk is from the increasing value of smart phones which will impact on claim costs in the future. Therefore, the main risk management objective is to manage the magnitude and the volatility of claim costs. Aon New Zealand Limited, the claims administrator, also actively manages claim activity, with assistance from the Spark Fraud team. The Company will review the premium rates by having the appointed actuary regularly review the premium rates to ensure that prices reflect risk.

For the Company a broader risk is the reliance on one line of business in a niche market (namely mobile handset insurance for post paid customers). If something were to arise that negatively affects this niche, such as reduced use of mobile phones, it

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

would have a flow on impact on the Company's financial position. This is the same risk that the parent company has and the Company accepts this risk.

The probability of catastrophe risk causing a large number of handset replacement claims is low as the value of policies is relatively low and policyholders are geographically widespread throughout New Zealand.

b. Financial risk.

Liquidity risk.

The risk of being unable to pay claims and operating expenses in a timely manner is negated by the Company holding surplus funds of \$38,127,230 (2013: \$35,687,652) in an on-call current account with Spark Finance Limited.

The Company has entered into an agreement with Westpac Banking Corporation to guarantee \$22.0m of the \$38.1m funds held by Spark Finance Limited, in order to mitigate the risk of asset concentration of these funds being held by a related party.

All financial liabilities, including outstanding claims liabilities and with the exception of the redeemable preference shares, are treated as current with all net cash flows from recognised insurance liabilities expected to be incurred within the subsequent financial year.

Westpac New Zealand Limited has current credit ratings as follows:

Standard and Poor's	AA-
Moody's Investor Services	Aa3

Interest risk.

There is minimal interest rate risk as surplus funds invested with Spark Finance Limited earn a fixed interest rate (6%). An interest risk exists when Government securities mature and a new security is purchased. These Government securities are held by the Company and mature in April 2015.

c. Credit risk.

The Company incurs credit risk related to financial assets of \$40,238,542 (2013: \$37,523,000).

Except for \$500,000 invested in Government securities, the Company's funds are invested by Spark Finance Limited. The board of directors of Spark Finance Limited have approved a credit risk policy that limits exposure with counterparties by placing its cash and short-term investments with high credit quality financial institutions and sovereign bodies, and it also limits the amount of credit exposure to any one of these financial institutions.

The New Zealand Government's current long-term domestic currency ratings are as follows:

Standard and Poor's	AA+
Moody's Investor Services	Aaa

Spark (which guarantees Spark Finance's debt) has credit ratings from Standard & Poor's and Moody's Investors Services on its indebtedness. Details of current ratings at 30 June 2014 are as follows:

Standard & Poor's		Moody's Investors Services	
Long Term Senior Debt	A-	Long Term Senior Debt	A3
Short Term Debt	A-2	Short Term Debt	P-2
Outlook	Stable	Outlook	Stable

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

d. Capital adequacy.

Capital management policies and objectives.

With the implementation of the Insurance (Prudential Supervision) Act 2010 ("the Act") all general insurance entities carrying on business in New Zealand are required to be licensed by the Reserve Bank of New Zealand. The Company was granted a full licence in the current financial year. The Company is now managing its capital in accordance with the requirements of the Act.

Under the Solvency Standard for Non-life Insurance Business ("the solvency standard") issued by the Reserve Bank of New Zealand, the Company is required to maintain a solvency margin as determined under the solvency standard at or above the minimum solvency capital level.

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

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

Capital composition.

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

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

	30 June 2014 \$000's	30 June 2013 \$000's
Actual solvency capital	31,735	29,239
Minimum solvency capital	22,604	24,354
Solvency Margin	9,130	4,885
Solvency Ratio	1.40	1.20

Note 11 RELATED PARTIES

The Company's ultimate parent company is Spark New Zealand Limited. The Company has transactions with fellow subsidiaries as set out below:

Balances at 30 June	Amount owing by:		Amount owing to:	
	2014 \$000's	2013 \$000's	2014 \$000's	2013 \$000's
Spark Finance Limited	38,127	35,688	-	-
Spark New Zealand Trading Limited	1,517	1,257	(621)	(666)
Total of Related Party Balances at 30 June	39,644	36,945	(621)	(666)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Transactions occurring during the year:	2014	2013
	\$000's	\$000's
Spark Finance Limited:		
Net operating cash transactions	199	820
Interest received	2,241	2,064
Spark New Zealand Trading Limited:		
Replacement mobile handsets	(6,895)	(4,410)

Surplus funds are invested with Spark Finance. Funds are held on-call and earn fixed interest at 6% (2013: 6%).

At 30 June 2014, the Company owes amounts to Spark for the reimbursement of expenses paid to suppliers and for replacement mobile handsets provided to insurance claimants on the Company's behalf. No related party debts have been written off or forgiven during the year.

Note 12 CONTINGENT LIABILITIES

The Directors are not aware of any significant contingent liabilities at 30 June 2014 (30 June 2013: nil).

Note 13 CAPITAL COMMITMENTS

There are no capital commitments at 30 June 2014 (30 June 2013: nil).

Note 14 SUBSEQUENT EVENTS

There have been no events subsequent to balance date that impact these financial statements.

Independent auditor's report

To the shareholders of Teleco Insurance (NZ) Limited

Report on the financial statements

We have audited the accompanying financial statements of Teleco Insurance (NZ) Limited ("the company") on pages 1 to 11. The financial statements comprise the statement of financial position as at 30 June 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

Opinion

In our opinion the financial statements on pages 1 to 11:

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



Report on other legal and regulatory requirements

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

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

KPMG

20 November 2014
Wellington



The Board of Directors
Teleco Insurance (NZ) Limited
42-52 Willis Street
Wellington

6 November 2014

Appointed actuary's review of actuarial information for Teleco Insurance (NZ) Limited

To the Directors of Teleco Insurance (NZ) Limited,

This letter has been prepared for Teleco Insurance (NZ) Limited ("Teleco") to meet the requirements of Section 78 of the Insurance (Prudential Supervision) Act 2010 ("the Act") in respect of Section 77 of the Act which requires that each Licensed insurer must ensure that the actuarial information contained in, or used in preparation of, the financial statements of the insurer is reviewed by the appointed actuary.

I have reviewed the following actuarial information included in the audited accounts for Teleco as at 30 June 2014:

- Outstanding claims liability
- Unearned premium liability

I have been provided with all the information and explanations that I have required to complete my review.

I am the appointed actuary to Teleco and am a Partner of PricewaterhouseCoopers New Zealand. I am independent of Teleco.

In my opinion:

- the actuarial information contained in the financial statements has been appropriately included in those statements; and
- the actuarial information used in the preparation of the financial statements has been used appropriately; and
- Teleco is maintaining a solvency margin as required under the Solvency Standard for Non-Life Insurance Business issued by the Reserve Bank of New Zealand.





Reliances and limitations

This letter has been prepared for Teleco and is provided in accordance with the terms set out in our statement of work dated 27 June 2014.

No distribution of this letter to third parties, other than as required by law is permitted by us. There may be requests for our report to be copied to third parties. We will be happy to consider these requests, as and when they arise.

Our responsibilities and liabilities are limited to Teleco and exist only in the context of their use of our letter. No liability or responsibility will be accepted by us in relation to the use of our report for any other purpose. We will not accept any liability or responsibility to any third party recipients.

We have relied on information provided to us in the course of carrying out our work. We perform some data validation checks but we have not verified all of the information provided to us, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the total reliability, accuracy or completeness of the information provided to us and upon which we have relied. We have no reason to believe that the information provided to us is inaccurate or misleading.

This letter must be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other. If distributed, this letter must be distributed in its entirety.

This letter is not considered an actuarial report under Professional Standard 9.1 of the New Zealand Society of Actuaries.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Rhodes', written in a cursive style.

Paul Rhodes, FNZSA, FIA