TRUSTPOWER INSURANCE LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FINANCIAL STATEMENTS 2014

The Directors are pleased to present the financial statements of Trustpower Insurance Limited for the year ended 31 March 2014.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 March 2014 and its financial performance for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting standards have been followed.

The Directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

Michael J Cooney
Director

Vincent J Hawksworth
Director

Dated: 09 May 2014.

Company No.	1981114
Incorporated	12 September 2007

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 $000	2013 $000
Insurance premium revenue	4	2,740	2,606
Insurance premium ceded to other reinsurers	4	(2,199)	(2,078)
Net Insurance Premium Revenue		541	528
Fee income - insurance contracts	5	86	79
Investment income	6	1	30
Other operating revenue		5	-
Net Income		633	637
Net insurance benefits and claims paid		22	-
Expenses for the acquisition of insurance and investment contracts		41	10
Other operating expenses	7	14	16
Expenses		77	26
Results of Operating Activities		556	611
Interest paid		-	14
Interest received	6	(137)	(106)
Net finance revenue		(137)	(92)
Profit Before Income Tax		693	703
Income tax expense	8	194	197
Profit After Tax Attributable to the Shareholders of the Company		499	506
Other comprehensive income		-	-
Total Comprehensive Income		499	506

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Note	Share Captial $000	Retained Earnings $000	Total Equity $000
Opening balance as at 1 April 2012		1,000	1,591	2,591
Total comprehensive income for the period		-	506	506
Closing balances as at 31 March 2013		1,000	2,097	3,097
Opening balances as at 1 April 2013		1,000	2,097	3,097
Total comprehensive income for the period		-	499	499
Closing balances as at 31 March 2014		1,000	2,596	3,596

The accompanying notes form part of these financial statements

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Note	2014 $000	2013 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	9	**1,000**	1,000
Retained earnings	10	**2,596**	2,097
Total Equity		**3,596**	3,097
Represented by:			
Current Assets			
Cash and cash equivalents	11	**4,083**	3,129
Reinsurance assets	12	**1,325**	1,404
Accounts receivable and prepayments	13	**50**	19
		5,458	4,552
Non Current Assets			
Investments	14	**-**	526
		-	526
Total Assets		**5,458**	5,078
Current Liabilities			
Unearned insurance premium	16	**1,652**	1,750
Trade, other payables and deferred income	17	**57**	73
Taxation payable		**153**	158
		1,862	1,981
Total Liabilities		**1,862**	1,981
Net Assets		**3,596**	3,097

The accompanying notes form part of these financial statements

TRUSTPOWER INSURANCE LIMITED
CASHFLOW STATEMENT
AS AT 31 MARCH 2014

	Note	2014 $000	2013 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		**2,875**	2,516
		2,875	2,516
Cash was applied to:			
Payments to suppliers		**2,390**	1,890
Taxation paid		**199**	292
		2,589	2,182
Net Cash from Operating Activities	18	**286**	334
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds from sale of investments		**531**	-
Interest received		**1**	30
		532	30
Cash was applied to:			
Purchase of investments		-	-
		-	-
Net Cash from Investing Activities		**532**	30
Cash Flows from Financing Activities			
Cash was provided from:			
Interest received		**137**	106
Cash was applied to:			
Interest paid		-	-
		137	106
Net Cash used in Financing Activities		**137**	106
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		**955**	470
Cash, Cash equivalents and bank overdrafts at beginning of the year		**3,129**	2,659
Cash, Cash Equivalents and Bank Overdrafts at End of the Year		**4,084**	3,129

The accompanying notes form part of these financial statements

NOTE 1: GENERAL INFORMATION

Reporting Entity
The principal activity of Trustpower Insurance Limited is the underwriting of insurance risk associated with material damage and business interruption of its parent company, Trustpower Limited, and its subsidiaries. All significant operations take place within New Zealand.

The Company is a limited liability company incorporated on 12 September 2007 and domiciled in New Zealand. The address of its registered office is Truman Road, Te Maunga, Mount Maunganui.

These financial statements relate to the year ended 31 March 2014 and have been approved for issue by the Board of Directors on 09 May 2014.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these audited financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation
These audited financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZGAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities.

Statutory base
TrustPower Insurance Limited is registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Functional and presentation currency
The functional and reporting currency used in the preparation of these financial statements is New Zealand dollars, rounded to the nearest thousand.

2.2 Adoption Status of Relevant New Financial Reporting Standards and Interpretations

The following new standards and amendments to standards were applied during the period:

NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income
The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This has not affected the measurement of any of the items recognised in the balance sheet or the income statement in the current period.

NZ IFRS 13 Fair Value Measurement
NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. Adoption of NZ IFRS 13 has resulted in a change in the valuation methodology of the Company's financial instruments. This change has had no impact on the reported values and will impact the type of information disclosed in relation to the Company's derivative financial instruments.

The Company has adopted these new standards and amendments from 1 April 2013.

The following new standard has been issued but is not yet effective:

NZ IFRS 9 Financial Instruments
This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured

NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

2.2 Adoption Status of Relevant New Financial Reporting Standards and Interpretations (continued

NZ IFRS 9 Financial Instruments
measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of NZ IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess NZ IFRS 9's full impact and intends to adopt from 1 April 2015.

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3 Trade Receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the income statement.

2.4 Financial Assets
Investments are designated by the Company as either financial assets at fair value through profit or loss, held to maturity financial assets or loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Assets in this category are classified as non-current assets where the remaining maturity of the asset is greater than 12 months; they are classified as current assets when the remaining maturity of the asset is less than 12 months.

Held to maturity financial assets
Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Company's management has the positive intention and ability to hold until maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Recognition and derecognition of financial assets
Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income within fair value movements of financial instruments, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.

Interest on held-to-maturity securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Company's right to receive payments is established.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

2.4 Financial Assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or los

2.5 Premium and Revenue Recognition

Revenue comprises the fair value of consideration received or receivable for services in the ordinary course of the Company's activiti Revenue is shown net of goods and services tax, rebates and discounts.

Regular fees and premiums are normally charged annually in advance. The consideration received is recognised evenly in the income statement from the commencement date over the period of the contract.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

2.6 Provision for Unearned Premiums
Unearned premiums are calculated by apportioning the premium revenue written in the year, over the period of risk from the dates of commencement using the Daily Pro-rata method.

2.7 Outstanding Claims Liability
The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

2.8 Reinsurance Recoveries
Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR and IBNER are recognised as a reduction of the claims expense.

Amounts due in respect of claims paid and anticipated recoveries in respect of outstanding claims are recognised as reinsurance receivable in the balance sheet.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

2.9 Outwards Reinsurance
Premium ceded to reinsurers is recognised as outward reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

2.10 Foreign Currency Translation
Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rate on the date of the transaction. Monetary assets and liabilities arising from foreign currency transactions are translated at closing rates at balance date. Gains or losses from currency translation on these items are included in the income statement.

2.11 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.12 Insurance Contracts
The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

2.14 Goods and Services Tax (GST)
The statement of comprehensive income and cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated exclusive of GST, with the exception of billed receivables and payables which include GST invoiced.

2.15 Income Tax
The income tax expense comprises current tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised directly in equity.

2.16 Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade Payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.19 Dividend Distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividend is approved by the Directors.

NOTE 3: MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages a number of the key risks including interest rate risk,credit risk, insurance risk and market risk. The Company's policies and procedures in respect of these risks are set out in this note.

Objectives in managing risks arising from insurance contracts and policies for mitigating those risk
The Company has an objective to control insurance risk thus minimising substantial unexpected lossesthat would expose the Company to an adverse capital loss.

The Board of the Company have developed, implemented and maintain policies and procedures, processes and controls that comprise its risk management and control systes. These systems address all material risks, both finanacial and non-financial, that are likely to be faced by the Company. These are reviewed annually by the Board.

NOTE 3: MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

3.1 Insurance Risk
The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insured liabilities. This could occur because of the frequency or severity of the claims and benefits are greater than estimated. Insurance events are random and the actual number and amounts of claims will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. While the Company has a large portfolio of similar risk in its insurance underwriting, some diversification is achieved through geographical spread of that risk.

3.1.1 Property Insurance Contracts
(a) Frequency and severity of claims
For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes and typhoons) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

The Company has reinsurance cover for such damage to limit losses to $500,000 per claim (excluding seismic, volcanic or hydrothermal activity). There is no limit to the number of claims that may be made in an annual financial period. The loss for damage caused by seismic, volcanic or hydrothermal activity is limited to $2,500,000 each for the first two events in an annual financial period and unlimited thereafter.

There are no assets arising from reinsurance contracts held by the Company, other than premiums paid in advance to reinsurers (see note 12). There have been no events that have led to losses that qualify for reimbursement under reinsurance covers.

Property insurance contracts are subdivided into four risk groups: fire, business interruption, material damage and theft. The insurance risk arising from these contracts is currently confined to the operations of the parent entity and subsidiaries in New Zealand and Australia only.

(b) Sources of uncertainty in the estimation of future claim payments
Property claims are analysed separately for subsidence and non-subsidence claims. The development of large losses/catastrophes is analysed separately. Non-subsidence claims can be estimated with greater reliability and the estimation processes to be used by the Company reflect all the factors that influence the amount and timing of cash flows from these contracts.

There have been no claims notified to the Company in the period under review. As a result, there is no outstanding claims provision at year end. In addition, the Company is not aware of any events that have been incurred but not reported.

3.2 Financial Risk
The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, credit risk and foreign currency risk.

These risks arise from open positions in interest rate or currency products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk. This risk is managed in accordance with the guidelines of the Treasury Policy applying to the Trustpower Limited group of companies.

3.3 Credit Risk
The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. These risks are managed in accordance with the guidelines of the Treasury Policy applying to the Trustpower Limited group of companies.

3.4 Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulties in raising liquid funds to meet commitments as they fall due. The Company evaluates its liquidity requirements on an ongoing basis. In general, sufficient cash are generated from operating activities to meet obligations arising from financial liabilities. In the event that a shortfall arises, the Company may draw on funds from related parties.

NOTE 4: NET INSURANCE PREMIUM REVENUE

	2014 $000	2013 $000
Gross written premiums	2,642	2,809
Adjustments to premiums written in previous periods	-	-
Movement in unearned premiums (see note 16)	98	(203)
Premium revenue	2,740	2,606
Gross outward reinsurance premiums	2,120	3,235
Movement in prepaid outward reinsurance premiums (see note 12)	79	(1,157)
Outward reinsurance premium expense	2,199	2,078
Net insurance premium revenue	541	528
Short-term insurance contracts:		
- Premium revenue	2,740	2,606
Premium revenue arising from insurance contracts issued	2,740	2,606
Short-term reinsurance contracts:		
- Reinsurance expense	(2,199)	(2,078)
Premium revenue ceded to reinsurers on insurance contracts issued	(2,199)	(2,078)
Net insurance premium revenue	541	528

Short-term insurance and reinsurance contracts are those with an unexpired period of less than 12 months as at reporting date. Long-term insurance and reinsurance contracts are those with an unexpired portion of greater than 12 months. Recognition of premium receivables and payables has been assumed as linear.

NOTE 5: FEE INCOME

	2014 $000	2013 $000
Policy administration services:		
- Insurance contracts	86	79
	86	79

Policy administration fees are charged at the commencement of the insurance contract. Income is recognised on a linear basis. Refer to note 17 for fee income received but not yet recognised as income.

NOTE 6: INVESTMENT INCOME

	2014 $000	2013 $000
Held to maturity interest income	1	30
Cash and cash equivalents interest income	137	106
Total interest received	138	136

NOTE 7: OTHER OPERATING EXPENSES

	2014 $000	2013 $000
Audit fees and expenses	6	5
Fees paid for other audit related services provided by the auditors*	3	7
Other administration costs	5	4
	14	16

* Other audit related services provided by the auditors include the review of the annual solvency certificate.

TRUSTPOWER INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

NOTE 8: INCOME TAX EXPENSE

	2014 $000	2013 $000
Profit before income tax	**693**	703
Tax on profit @ 28%	**194**	197
	194	197
Represented by:		
Current tax	**194**	197
	194	197

NOTE 9: SHARE CAPITAL

	2014 $000	2013 $000
Authorised and issued ordinary shares at end of year	**1,000**	1,000
	1,000	1,000

	2014 No. of shares	2013 No. of shares
Authorised and issued ordinary shares at end of year	**1,000,000**	1,000,000
	1,000,000	1,000,000

All shares rank equally with one vote attached to each share, have no par value and are fully paid.

NOTE 10: RETAINED EARNINGS

	2014 $000	2013 $000
Balance at beginning of year	**2,097**	1,591
Profit for the year	**499**	506
	2,596	2,097

NOTE 11: CASH AND CASH EQUIVALENTS

	2014 $000	2013 $000
Cash at bank	**449**	28
Short-term bank deposits	**3,634**	3,101
	4,083	3,129

The average maturities of short-term bank deposits is 58 days (2013: 64 days). The effective interest rate on short-term deposits is 3.81% (2013: 3.94%).

NOTE 12: REINSURANCE ASSETS

	2014 $000	2013 $000
Prepaid reinsurance	**1,325**	1,404
	1,325	1,404

Prepaid reinsurance is the amount of those premiums paid in advance to reinsurers as at balance date.
Reinsurance premiums have been paid by the Company until 15 November 2014.

NOTE 13: ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 $000	2013 $000
Brokerage and fees prepaid	**50**	6
Accrued investment income - held to maturity investments	**-**	13
	50	19

NOTE 14: INVESTMENTS

	2014 $000	2013 $000
Held to maturity investment, at amortised cost:		
Government Stock, coupon 6.00%p.a. (semi-annual), maturing 15 April 2015	**-**	526
	-	526

NOTE 15: FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
Assets per the statement of financial positioı	**2014 $000**	**2013 $000**
Cash and cash equivalents	**4,083**	3,129
Other current investments	**-**	-
Accounts receivable excluding prepayments	**-**	13

	Assets Held to Maturity	
	2014 $000	**2013 $000**
Other investments	**-**	526

	Other financial liabilities at amortised cost	
Liabilities per the statement of financial positioı	**2014 $000**	**2013 $000**
Trade and other payables	**4**	19

NOTE 16: UNEARNED INSURANCE PREMIUM

	2014 $000	2013 $000
Unearned premium liability at beginning of period	**1,750**	1,547
Earnings from premiums written in previous period	**(1,750)**	(1,547)
Deferral of premiums on contracts written during the period	**1,652**	1,750
	1,652	1,750

NOTE 17: TRADE, OTHER PAYABLES AND DEFERRED INCOME

	2014 $000	2013 $000
Deferred income	**53**	54
Trade payables and accrued expenses	**4**	19
	57	73

Deferred income relates to risk management fees received in advance for the period to 15 November 2013. These amounts are non-refundable and are released to income as the services are rendered.

All trade payables, accrued expenses and deferred income are current liabilities.

NOTE 18: RECONCILIATION OF NET CASH FROM OPEARATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS

	2014 $000	2013 $000
Profit after tax attributable to the shareholders of the Compar	**499**	506
Items classified as investing/ financing		
Interest paid	**(5)**	14
Interest received	**(138)**	(136)
	(143)	(122)
Decrease / (Increase) in working capital		
Accounts receivable and prepayments	**49**	(169)
Taxation payable or receivable	**(5)**	(95)
Accounts payable and accruals	**(114)**	214
	(70)	(50)
Net Cash from Operating Activitie	**286**	334

NOTE 19: IMPUTATION CREDIT ACCOUNT

	2014 $000	2013 $000
Imputation credits available for use in subsequent reporting periods	**1,065**	870

The above amounts represent the balance of the imputation credit account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of the amount of income taxation payabl

NOTE 20: SOLVENCY REQUIREMENTS

Solvency requirements were introduced under the Insurance (Prudential Supervision) Act 2010 enacted on 7 September 2010. The methodology and bases for determining the Solvency Margin are in accordance with the Solvency Standard for Captive Insurers Transacting Non-life Insurance Business published and updated by the Reserve Bank of New Zealand.

	2014 $000	2013 $000
Actual solvency capital	**3,596**	3,097
Minimum solvency capital requirement	**1,000**	1,000
Solvency capital margin exces	**2,596**	2,097

NOTE 21: CONTINGENT LIABILITIES, OPERATING LEASES, AND SUBSEQUENT EVENTS

The Company is not aware of any material contingent liabilities at balance date. (2013: None)

The Company is not party to any material operating leases at balance date. (2013: None)

The Company is not aware of any significant events occurring subsequent to balance date that have not been disclosed.

NOTE 22: RELATED PARTY TRANSACTIONS

The Company is ultimately owned by Trustpower Limited which is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0% of Trustpower's shares. Of the remaining Trustpower Limited shares, Tauranga Energy Consumer Trust owns 33.2% and the residual 15.8% are widely held.

During the year insurance premiums of $2,642,000 (2013: $2,799,000) were received from the parent entity. These premiums relate to the period 15 November 2013 to 15 November 2014.

The impact of transactions with the parent entity on the profit of the Company is shown below.

	2014	2013
	$000	$000
Insurance premium revenue	**2,740**	2,606
Impact on profit before income ta›	**2,740**	2,606

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the year.

NOTE 23: CREDIT RATING

As the Company is a captive insurer, the sections of the Insurance Companies (Ratings and Inspections) Act 1994 requiring a credit rating do not apply.

Independent Auditors' Report
to the shareholders of Trustpower Insurance Limited

Report on the Financial Statements
We have audited the financial statements of Trustpower Insurance Limited on pages 2 to 14, which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

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

Auditors' 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) and International Standards on Auditing. These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the Company's preparation of 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 overall presentation of the financial statements.

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

We have no relationship with, or interests in, Trustpower Insurance Limited other than in our capacities as auditors and providers of other assurance services. These services have not impaired our independence as auditors of the Company.

Independent Auditors' Report
Trustpower Insurance Limited

Opinion
In our opinion, the financial statements on pages 2 to 14:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company as at 31 March 2014, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements
We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report
This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
9 May 2014

Auckland

Davies Financial and Actuarial Limited

16th June 2014

To: The Directors
Trustpower Insurance Limited

From: Peter Davies
Consulting Actuary

Re: Trustpower Insurance Limited: Financial Condition Report as at 31st March 2014

You have asked me to prepare a report on the financial condition of Trustpower Insurance Limited ("the Company") as at 31st March 2014. I would like to comment further as follows:

1. Introduction

The purpose of this report is to provide commentary to the Company's Board on the financial condition of the Company, and to fulfil my obligations, as Appointed Actuary to the Company, to provide a financial condition report in terms of the Insurance (Prudential Supervision) Act 2010 "the Act".

This report has been prepared in accordance with Professional Standard no. 12 of the New Zealand Society of Actuaries.

2. Data

I have been provided with a set of audited accounts, as well as further details regarding the company's assets (institution, maturity date, interest rates), and the company's reinsurance arrangements. I have relied on this information in preparing this report.

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This is a captive insurer with a very simple premium structure. There was only one claim incurred and paid over the year of $22,720. I have been provided with documentation regarding this claim and this is in order with the financial statements.

3. Background, business and operations

Trustpower Insurance Limited is a captive non-life insurer owned by Trustpower Limited, a New Zealand-based company, primarily focused on electricity generation and retailing. The ultimate major shareholders are Infratil Limited, and the Tauranga Energy Consumer Trust.

Trustpower Insurance Limited provides cover for companies in the Trustpower group for damage to their generation assets and for business interruption related to these assets.

A captive company fulfils the following purposes for its owners:

(a) Captives tend to be used as a vehicle for retaining a relatively large deductible on the group's insurance programme. Rather than pay a retail insurance premium with a standard excess, the parent will typically pay the same or similar level of premium to its captive, the captive will hold a significantly higher retention, and offset the remainder of its risks with reinsurers. A high deductible can often lead to a significant reduction in reinsurance premiums.

Clearly on a consolidated basis, the retained premium disappears, and it is the group as a whole which is exposed to the higher deductible. Nonetheless this tends to be a transparent way of managing and presenting the savings arising from having a high deductible.

(b) Secondly, and more importantly, captives give large industrial groups direct access to the reinsurance market, rather than having to deal with retail insurers. This can remove a significant layer of costs from the group's insurance programme.

In Trustpower Insurance's case, the selected net deductible is $450,000.

Trustpower does not have a financial strength rating. As a captive insurer a rating is not required under the Act.

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There is currently no foreseeable change to plans for this captive and therefore no material risks arising from any changes.

There are no special conditions imposed by the RBNZ

Being a captive insurer other parts of the corporate group materially affect the Solvency Margin. Trustpower is insuring material damage risks within the Group.

Currently Trustpower is well capitalised to meet a number of significant claims within the Group. However, if the Group were to decide to run the Company with a significantly lower level of capital then the Company would become more dependent on the rest of the Group for the funding of any significant claims.

4. Recent experience and profitability

The accounts of the Company for the past four years are set out in Annexure A.

There was a claim of $22,000 incurred in the most recent year. I note that there have been no claims over the prior three years, and that the Company has made profits consistently of $381,000, $405,000, $507,000 and $498,000 in each year respectively.

Clearly in this instance a “profit” simply means that the parent has paid more, in insurance premiums than the cost of the Company’s reinsurance premiums, as there has been only one minor claim in the last year.

With annual premiums of approximately $0.5m net of reinsurance, there is sufficient margin being paid for the Captive to experience one claim at the maximum retained level each year. With one claim over the past four years, this would appear to be a conservative assumption.

Shown in Annexure A, net premiums have been gradually increasing each year. Assets have been correspondingly increasing, leaving to increases in investment income.

Recent experience has indicated a consistent level of profitability. There have been no material deviations from expected experience over the past four years.

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5. Pricing, Underwriting and claim management

Setting an appropriate premium is a relatively simple matter of simply making sure that the reinsurance costs are more than adequately covered by the premium paid by the parent. At the moment the parent chooses to pay an additional $0.5m, as a contribution towards smoothing the costs of any large claims in the parent accounts, although as noted above on a consolidated accounting basis it makes no difference whether an additional margin is paid or not. From the perspective of the captive, premiums have been historically adequate and are expected to continue into the future.

From an underwriting perspective, the Company's main responsibility is to ensure that its reinsurance arrangements are structured appropriately. I note that the Company uses a professional reinsurance broker for this purpose.

The cover provided is for companies in the Trustpower group for material damage and business interruption. Claims are likely to be infrequent, and are likely to have the guidance and assistance of representatives of the Company's reinsurers. The Company can also call on the services of Willis New Zealand in managing any smaller claims.

6. Insurance and Other Liabilities

As shown in Annexure A.2 there are no outstanding claim liabilities, the only insurance liabilities on the Company's books relate to unearned premiums. This is based on a simple time apportionment, and in my view has been calculated appropriately.

The unearned premium liability, net of reinsurance, provides for one significant claim each year (approximately), but as noted above, in the group consolidated accounts this figure is irrelevant.

Other liabilities include a provision for income tax, deferred commission income, trade payables and accrued expenses. These amounts have been relatively consistent each year and are expected to continue at similar levels in future.

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7. Investment and Other Assets

The balance sheet set out in Annexure A is quite straightforward. The Company's investments consist of term deposits with New Zealand-registered banks, and historically also with government stock.

This is a conservative balance sheet.

Pre-paid reinsurance is an asset on the Company's books. This is based on a simple time apportionment, and in my view has been calculated appropriately.

The methods for valuing the assets and liabilities are straightforward. There are no significant material risks arising from the liability profile and liquidity needs, investment assets or other assets.

The only change to the asset allocation this year is that there is now no government bond held. More is held instead in short-term deposits. This change poses no material risk.

8. Reinsurance Arrangements

The Company's reinsurance programme is placed with a panel of direct writers and reinsurers, as set out in Annexure C.

There is a per event net deductible of $0.45m, with a facility of $406m.

I note that all reinsurers have an A- or better credit rating.

Partner Reinsurance Europe Limited has a counterparty grade 2 (2% charge) in terms of the RBNZ solvency requirements, the remaining companies and reinsurers are all counterparty grade 3 (4% charge). Partners Re makes up approximately 1% of the total reinsurance facility, which has an immaterial impact on the reinsurance recovery charge, and accordingly for calculating this charge I have used a factor of 4% for all exposures.

It is beyond my expertise to provide an opinion on whether the reinsurance programme provides a comprehensive level of coverage, up to conservative maximum probable loss levels. The Directors should satisfy themselves that they have received expert reinsurance advice on the suitability of this programme for the risks to which the company is exposed.

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9. Capital Management

Captive insurers in New Zealand are required to have a minimum level of solvency capital of $1m. The Company exceeds that by $2.6m.

The parent may choose to retain more capital than that within the captive, depending on its approach to funding for any possible large claims which lead to the net deductible of $0.45m being called on.

Currently the Company has sufficient capital to meet 7 claims at the maximum retained level. The RBNZ minimum capital of $1m equates to approximately 2 claims, and in my view it would be appropriate to provide for at least one additional claim (i.e. to have capital of approximately $1.5m). A more comfortable level would be to retain $2m of capital, i.e. provide for four large claims. The Company could choose to retain more capital than that, however in my view it could reasonably distribute any excess over $2m as a dividend, and even a $1.5m capital retention would be acceptable.

The main issue from my perspective is for the parent to have a clear view in mind as to what degree of pre-funding of its net insurance deductible it wishes to retain within the captive.

10. Solvency Assessment

I have set out my calculations of the Company's position under the Reserve Bank Solvency Standard for non-life Captives, in Annexure B.

The solvency calculations differ from a non-life insurer dealing with the public in the following areas:

(a) Inter-company balances with a related party are not deducted from capital, but are subject to a 15% asset risk charge (up to 66% of the Company's assets, excluding reinsurance recoveries, or $5m if greater). Above that threshold a concentration risk charge applies equal to an additional 30% (i.e. a total charge of 45%).

The Company has no inter-company balances with its parent or with other related entities.

(b) The insurance risk capital charge is a simple 20% of the largest per event retention, plus a reinstatement premium.

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(c) There is no additional catastrophe risk capital charge (it is effectively provided for in (b).

The results of this calculation are as follows:

Actual solvency capital:	$3,595,593 (exceeds $1m minimum)
Calculated minimum requirement:	$210,644
Minimum capital requirement:	$1,000,000
Solvency margin:	$2,595,593
MCR coverage:	3.60

The last three years' solvency assessments are set out in Annexure B.3. There have been no breaches of solvency margin or capital targets. The minimum solvency capital has been $1m. The actual solvency capital and hence the solvency margin have been gradually increasing by around $400,000 to $500,000 each year.

11. Capital Adequacy

The schedules in Annexure B also include a three-year projection of the solvency position. This is based on future annual operating profits continuing at $500,000. I note that the Company is expected to continue to generate after-tax profits, leading to an improved solvency position, although it is likely that further dividends will be transferred to the parent over that time if there are no claims during this period.

12. Risks and Risk Management

(a) In my view the material risks faced by the Company are as follows:

The main risk, from my perspective, is that the Company could experience large claims at a greater frequency than the parent would have been expecting in setting up the captive.

As long as the parent is clearly aware that this is one of the risks of having a relatively high insurance retention then the parent should have no difficulty with this outcome. The important issue is that the parent should not be under an impression that having a captive insurer somehow takes away the risks of running a reinsurance programme with a high deductible.

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The other main risk is that one of the reinsurers in the panel could fail.

(b) The Company has mitigated these risks by:

(i) Retaining sufficient capital within the Company to meet the full retained cost of up to 7 large claims. Furthermore, premiums are currently structured so as to top up this provision within five years, if the current level of capital were to be exhausted.

(ii) Dealing with an international panel of reputable insurers and reinsurers, all with an A- or better credit rating, helps reduce the likelihood of reinsurance failure.

(c) The Company has only permanent capital, which is available to meet losses on a permanent, unencumbered basis.

(d) The Company has no open claims currently on its books. If any claim provisions were to be established, I would need to disclose whether the provisions complied with IFRS 4, and any required risk margins to achieve the specified probability of sufficiency.

(e) The Company has no insurance business with long-term risk characteristics.

(f) The Company has no derivatives on its balance sheet.

(g) The Company has no material mis-matching risks arising from the nature and term of its assets and insurance liabilities. The unearned premium provision is well covered by short-term bank deposits.

(h) The Company's solvency margin calculations are set out in Annexure B. There is very little assumption-setting required for carrying out these calculations for a captive insurer.

(i) In my view there is no reason why the Company should not be expecting to maintain a satisfactory solvency margin under the RBNZ solvency standard at all times over the next three years, taking account of the Company's business plans, its enterprise risk management practices, and the external environment.

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13. Materiality

No items that have been excluded from this report on the grounds of immateriality. As a relatively straightforward captive insurer however, some items set out in Professional Standard no. 12 have been discussed only quite briefly.

14. Additional Disclosures

- This report may be released to third parties, at the Company's discretion.
- I place no limitations on this report.
- I am happy for this report to be relied on by the Company, its auditors, and by the Reserve Bank.
- I am available to provide supplementary information and explanation about the scope, methods and data relating to this report.
- I am independent with respect to the Company as defined under professional standard ISA (NZ) 620 of the External Reporting Board.
- I am not aware of any events subsequent to the effective date of this report that could have a material impact on the results set out in this report.
- I have relied on accounting and other data provided by Willis New Zealand in preparing this report.

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15. Summary and Conclusions

Trustpower Insurance Limited is a tidy "captive" insurance operation with a conservative balance sheet, and a conservative reinsurance structure with an international panel of insurers and reinsurers.

The Company is managed by a professional administrator (Willis) with extensive knowledge of the captive insurance market in New Zealand.

The company has sufficient capital to meet the cost of seven large claims, and has sufficient profit margins to top this provision up again on a yearly basis, if its capital were to be exhausted.

It is important in my view that the parent has a clear appreciation that a captive insurer does not remove the risks of its reinsurance deductible. Although there is a transfer of risk between the parent and its captive, on a consolidated basis the Trustpower group is as exposed to the risks of multiple large claims as it would be if the captive company did not exist.

The Company's solvency margin exceeds the minimum required by the RBNZ solvency standard, with a coverage ratio of 360%.

My financial condition report prepared in the previous year made no particular recommendations requiring any remedy or further action by the Company.

I would be very happy to answer any queries concerning this report.

Kind regards

Yours sincerely

Peter

Peter Davies B.Bus.Sc., FIA, FNZSA
Consulting Actuary

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Annexure A: Accounts

	Year Ended 31/03/2014	Year Ended 31/03/2013	Year Ended 31/03/2012	Year Ended 31/03/2011
Gross Premiums Written	2,740,000	2,605,777	2,187,000	2,022,000
Less Insurance Premium ceded to reinsurers	2,199,000	2,077,782	1,756,000	1,620,000
Net premiums	541,000	527,995	431,000	402,000
Investment income	138,000	136,146	118,000	105,000
Other income	5,000	(13,069)	4,000	3,000
Net fees and commission income	85,000	79,347	55,000	49,000
Total income	769,000	730,419	608,000	559,000
Opening claim provisions	0	0	0	0
Claims paid	22,000	0	0	0
Closing claim provisions	0	0	0	0
Gross claim expense	22,000	0	0	0
Reinsurance recoveries	0	0	0	0
Net claim expense	22,000	0	0	0
Commissions	41,000	10,000	10,000	9,000
Operating expenses	14,000	16,761	36,000	7,000
Total expenses	77,000	26,761	46,000	16,000
Profit before tax	692,000	703,658	562,000	543,000
Tax	194,000	197,024	157,000	162,000
Profit after tax	498,000	506,634	405,000	381,000
Unrealised gains	0	0	0	0
Foreign exchange movement	0	0	0	0
Profit after unrealised gains and FX	498,000	506,634	405,000	381,000
Movement in equity	498,744	506,634	404,622	381,000
Dividend payments	0	0	0	0
	(744)	(0)	378	0
As % of gross premium				
Reinsurance	80.26%	79.74%	80.29%	80.12%
Commission	1.50%	0.38%	0.46%	0.45%
Expenses	0.51%	0.64%	1.65%	0.35%
Claims (net)	0.80%	0.00%	0.00%	0.00%
Investment return %	2.65%	2.90%	2.99%	

A.2: Accounts (continued)

Balance sheet

	31/03/2014	31/03/2013	31/03/2012	31/03/2011
Cheque Account	449,000	247	5,175	0
Short-term Term Deposit	3,634,000	3,114,137	2,651,047	2,038,000
Accrued Investment Income	0	14,265	14,000	12,000
NZ govt security	0	525,979	527,823	528,000
NZ Corporate Bonds	0	0	0	0
Premiums Receivable	0	0	0	0
Prepaid Reinsurance	1,325,000	1,403,972	1,235,263	966,000
Sundry debtors, pre-payments	50,000	19,641	19,791	6,000
Receivable from subsidiaries	0	0	0	0
Mortgages	0	0	0	0
Secured loans less impairment	0	0	0	0
Unsecured loans to subsidiaries	0	0	0	0
Intercompany Loan	0	0	0	0
Reinsurance recoveries owing	0	0	0	0
Total assets	5,458,000	5,078,241	4,453,099	3,550,000
Accounts Payable	0	0	0	0
Bank overdraft	0	0	0	0
Provision for income tax	153,000	158,309	253,352	129,000
Trade payables and accrued expenses	4,000	19,384	15,159	5,000
Deferred commission income	53,000	53,789	47,074	26,000
Outstanding claims	0	0	0	0
Unearned premium	1,652,000	1,749,502	1,546,891	1,204,000
Deferred reinsurance commission	0	0	0	0
Deferred tax liability	0	0	0	0
Total liabilities	1,862,000	1,980,984	1,862,476	1,364,000
Share Capital	1,000,000	1,000,000	1,000,000	1,000,000
Retained Earnings	2,596,000	2,097,256	1,590,622	1,186,000
Equity	3,596,000	3,097,256	2,590,622	2,186,000
Check:	5,458,000	5,078,240	4,453,098	3,550,000
	0	(1)	(1)	0

Annexure B: Solvency Calculations

Insurance Risk				
Largest Forseeable per event retention:	450,000			
Factor:	20%			
No reinstatement premium - paid by parent				
Total Insurance Risk:			**90,000**	
Catastrophe Risk				
Comment:	n/a (Captive)			
Total Catastrophe Risk:			**-**	
Asset Risk				
	Balance sheet value			
Cash and Sovereign Debt	449,191	0.5%	2,246	
AA rated fixed interest <1 year	3,634,154	1%	36,342	
AA rated fixed interest >1 year	-	2%	-	
A rated fixed interest	-	4%	-	
Unpaid premiums <6 months	-	4%	-	
DAC		5%	-	
BBB rated fixed interest		6%	-	
Unrated Local Authority Debt		8%	-	
Other fixed interest		15%	-	
Off Balance sheet		20%	-	
Listed Equity and trusts	-	25%	-	
Unlisted equity		35%	-	
Any other Assets	50,459	40%	20,184	
Assets incurring a full Capital Charge		100%	-	
Total:	4,133,804			
Total Asset Risk:			**58,771**	
Add reinsurance:	1,324,756			
Total:	5,458,560			
vs balance sheet:	5,458,000			
Asset Concentration Risk				
Comment:	**Total assets < $10m, so no charge on bank bills or deposits**			
Total Asset Concentration Risk			**-**	
Foreign Currency Risk				
Comment:	**No foreign Currency**			
Total Foreign Currency Risk:			**-**	
Interest Rate Risk				
Comment:	**Government Bond & Term Deposits**			
Total Interest Rate Risk:			**8,889**	
Reinsurance Recovery Risk				
Comment:				
Deferred Reinsurance Premium:	1,324,756			
Factor:				
Charge:	4.00%			
Total Reinsurance Risk:			**52,983**	
Total			**210,643**	
Solvency margin:			3,384,950	
Solvency coverage ratio:			1707%	
Total assets:				
With charges:	4,133,804			
Reinsurance:	1,324,756			
Total:	5,458,560			
Balance sheet:	5,458,000			
Forward Projected Solvency:				
		Actual Solvency Capital	**Minimum Solvency Capital**	**Solvency Margin**
	31/03/2013	3,595,593	1,000,000	2,595,593
	31/03/2014	4,095,593	1,000,000	3,095,593
	31/03/2015	4,595,593	1,000,000	3,595,593
	31/03/2016	5,095,593	1,000,000	4,095,593
	31/03/2017	5,595,593	1,000,000	4,595,593
Estimate annual Operating Profit:		500,000		

Annexure B.2: Fixed interest calculations

									31-Mar-14	1.75%	
Name	Face value	Coupon	Mature	MV	Position Currency	Term	Credit Rating	Yield *1	Value re-calc	Revised yield	Value yield change
ANZ	865,742.78	3.90%	14-Apr-14	865,742.78	NZD	<1	AA-	65.507%	865,743	67.257%	865,394
ANZ	625,000.00	3.90%	15-Apr-14	625,000.00	NZD	<1	AA-	60.040%	625,000	61.790%	624,721
ANZ	600,000.00	3.90%	26-May-14	600,000.00	NZD	<1	AA-	13.424%	600,000	15.174%	598,593
WESPAC	1,521,236.79	4.00%	11-Jul-14	1,521,236.79	NZD	<1	AA-	7.349%	1,521,237	9.099%	1,514,383
	3,611,980			3,611,980					3,611,980		3,603,091
										Resilience:	8,889

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Annexure B.3: Historical Solvency

	Actual Solvency Capital	Calculated Min Capital	Adjustment	Minimum Solvency Capital	Solvency Margin
31 March 2011	**2,185,945**	211,622	788,378	**1,000,000**	**1,185,945**
31 March 2012	**2,590,672**	611,246	388,754	**1,000,000**	**1,590,672**
31 March 2013	**3,097,256**	212,577	787,423	**1,000,000**	**2,097,256**
31 March 2014	**3,595,593**	210,644	789,356	**1,000,000**	**2,595,593**

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Annexure C: Reinsurance Arrangements

Insurer	Rating	Agency	RBNZ grade	Risk charge	Share of total
Full share up to NZ$406m (65% of total):					
QBE	A+	S&P	3	4%	32.5%
AIG	A-	S&P	3	4%	7.5%
SCOR	A+	S&P	3	4%	10.0%
Talbot	A+	S&P	3	4%	5.0%
Cube	A	S&P	3	4%	5.0%
Catlin	A	S&P	3	4%	5.0%
					65.0%
Remaining 35% of total is in 3 bands:					
Layer 1 - up to NZ$50m					
					Share of band
Hiscox	A	AM Best	3	4%	5.0%
New India	A-	AM Best	3	4%	7.5%
RSA	A	S&P	3	4%	20.0%
Mitsui	A+	S&P	3	4%	2.5%
					35.0%
Layer 2 - NZ$50 m up to NZ$115m					
ARG	A+	S&P	3	4%	11.0%
Brit	A	S&P	3	4%	2.5%
Kiwait Re	A-	S&P	3	4%	1.5%
Partner Re	A+	AM Best	2	2%	10.0%
New India	A-	AM Best	3	4%	5.0%
Hardy	A+	S&P	3	4%	5.0%
					35.0%
Layer 3 - NZ$115m up to NZ$406m					
Axis	A+	S&P	3	4%	10.0%
CSL	A+	S&P	3	4%	10.0%
Millennium	A+	S&P	3	4%	6.0%
GIC	A-	AM Best	3	4%	3.0%
Partner Re	A+	AM Best	2	2%	6.0%
					35.0%

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