TRUSTPOWER INSURANCE LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FINANCIAL STATEMENTS 2016

The Directors are pleased to present the financial statements of Trustpower Insurance Limited ("the Company") for the year ended 31 March 2016.

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 2016 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 Markets Conduct Act 2013.

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

A. N. Bickers

Alan N Bickers
Director

V J Hawksworth

Vincent J Hawksworth
Director

Dated: 13 May 2016.

Company No. 1981114
Incorporated 12 September 2007

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 $000	2015 $000
Insurance premium revenue	4	2,762	2,817
Insurance premium ceded to other reinsurers	4	(2,228)	(2,268)
Net Insurance Premium Revenue		534	549
Fee income - insurance contracts	5	89	90
Net Income		623	639
Net insurance benefits and claims expense		822	-
Expenses for the acquisition of insurance and investment contracts		101	94
Other operating expenses	7	18	11
Expenses		941	105
Results of Operating Activities		(318)	534
Interest paid		-	-
Interest received	6	(168)	(172)
Net finance revenue		(168)	(172)
Profit Before Income Tax		(150)	706
Income tax expense	8	(42)	198
Profit After Tax Attributable to the Shareholders of the Company		(108)	508
Other comprehensive income		-	-
Total Comprehensive Income		(108)	508

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Share Captial $000	Retained Earnings $000	Total Equity $000
Opening balance as at 1 April 2014		1,000	2,596	3,596
Total comprehensive income for the period		-	508	508
Balances as at 31 March 2015		1,000	3,104	4,104
Total comprehensive income for the period		-	(108)	(108)
Closing balances as at 31 March 2016		1,000	2,996	3,996

The accompanying notes form part of these financial statements

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	2016 $000	2015 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	9	**1,000**	1,000
Retained earnings	10	**2,996**	3,104
Total Equity		**3,996**	4,104
Represented by:			
Current Assets			
Cash and cash equivalents	11	**4,650**	4,612
Reinsurance assets	12	**1,261**	1,471
Accounts receivable and prepayments	13	**57**	61
		5,968	6,144
Total Assets		**5,968**	6,144
Current Liabilities			
Unearned insurance premium	15	**1,562**	1,825
Trade, other payables and deferred income	16	**501**	64
Taxation payable		**(91)**	151
		1,972	2,040
Total Liabilities		**1,972**	2,040
Net Assets		**3,996**	4,104

The accompanying notes form part of these financial statements

TRUSTPOWER INSURANCE LIMITED
CASHFLOW STATEMENT
AS AT 31 MARCH 2016

	Note	2016 $000	2015 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		2,581	3,084
		2,581	3,084
Cash was applied to:			
Payments to suppliers		2,511	2,527
Taxation paid		200	201
		2,711	2,728
Net Cash from Operating Activities	17	(130)	356
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds from sale of investments		-	-
Interest received		-	-
		-	-
Cash was applied to:			
Purchase of investments		-	-
		-	-
Net Cash from Investing Activities		-	-
Cash Flows from Financing Activities			
Cash was provided from:			
Interest received		168	172
Cash was applied to:			
Interest paid		-	-
		168	172
Net Cash used in Financing Activities		168	172
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		38	528
Cash, Cash equivalents and bank overdrafts at beginning of the year		4,612	4,084
Cash, Cash Equivalents and Bank Overdrafts at End of the Year		4,650	4,612

The accompanying notes form part of these financial statements

TRUSTPOWER INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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 108 Durham Street, Tauranga.

These financial statements relate to the year ended 31 March 2016 and have been approved for issue by the Board of Directors on 13 May 2016.

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.

Comparatives for the movements in working capital (note 17), totalling $484,140 have been updated to ensure consistency between financial reporting periods.

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 Markets Conduct Act 2013 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

No new standards and amendments to standards were applied during the period.

The following new standards have been issued but are not yet effective:

NZ IFRS 9 Financial Instruments
The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and the hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneaous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company intends to adopt NZ IRFS 9 on its effective date and has yet to asses it full impact.

NZ IFRS 15 Revenue from Contracts with Customers
This deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 "Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

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NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

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

NZ IFRS 16 Leases
NZ IFRS 16 "Leases' replaces the current guidence in NZ IFRS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for aperiod of time in exchange for consideration. Under NZ IFRS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operationg lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liabilityreflecting future lease payments and a 'right -of-use asset' for virtually all lease contracts. In cluded is an optional exemption for certain certain short-term leases and leases of low-value assets; however this exemption can only be applied by lessee. For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjuction with NZ IFRS 15, 'Revenue from Contracts with Customers". The Company intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

There are no other NZ IFRS's 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.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

2.4 Financial Assets (continued)

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.

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 loss.

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 activities. 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.

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.

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.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

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 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 risks
The Company has an objective to control insurance risk thus minimising substantial unexpected losses that would expose the Company to an adverse capital loss.

The Board of the Company has developed, implemented and maintains 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.

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.

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

3.1 Insurance Risk (continued)

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 seismic, 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.

Except as disclosed in Note 20, 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 is 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

	2016 $000	2015 $000
Gross written premiums	2,499	2,990
Adjustments to premiums written in previous periods	-	-
Movement in unearned premiums (see note 15)	263	(173)
Premium revenue	2,762	2,817
Gross outward reinsurance premiums	2,017	2,414
Movement in prepaid outward reinsurance premiums (see note 12)	211	(146)
Outward reinsurance premium expense	2,228	2,268
Net insurance premium revenue	534	549
Short-term insurance contracts:		
- Premium revenue	2,762	2,817
Premium revenue arising from insurance contracts issued	2,762	2,817
Short-term reinsurance contracts:		
- Reinsurance expense	(2,228)	(2,268)
Premium revenue ceded to reinsurers on insurance contracts issued	(2,228)	(2,268)
Net insurance premium revenue	534	549

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

	2016 $000	2015 $000
Policy administration services:		
- Insurance contracts	89	90
	89	90

Policy administration fees are charged at the commencement of the insurance contract. Income is recognised on a linear basis. Refer to note 16 for fee income received but not yet recognised as income.

NOTE 6: INVESTMENT INCOME

	2016 $000	2015 $000
Cash and cash equivalents interest income	168	172
Total interest received	168	172

NOTE 7: OTHER OPERATING EXPENSES

	2016 $000	2015 $000
Audit fees and expenses	7	6
Fees paid for other audit related services provided by the auditors*	6	3
Other administration costs	5	2
	18	11

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

NOTE 8: INCOME TAX EXPENSE

	2016 $000	2015 $000
Profit before income tax	(150)	706
Tax on profit @ 28%	(42)	198
	(42)	198
Represented by:		
Current tax	(42)	198
	(42)	198

NOTE 9: SHARE CAPITAL

	2016 $000	2015 $000
Authorised and issued ordinary shares at end of year	1,000	1,000
	1,000	1,000

	2016 No. of shares	2015
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

	2016 $000	2015 $000
Balance at beginning of year	3,104	2,596
Profit for the year	(108)	508
	2,996	3,104

NOTE 11: CASH AND CASH EQUIVALENTS

	2016 $000	2015 $000
Cash at bank	5	3
Short-term bank deposits	4,645	4,609
	4,650	4,612

The average maturities of short-term bank deposits is 50 days (2015: 47 days). The effective interest rate on short-term deposits is 3.11% (2015: 4.14%).

NOTE 12: REINSURANCE ASSETS

	2016 $000	2015 $000
Prepaid reinsurance	1,261	1,471
	1,261	1,471

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 2016.

NOTE 13: ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016 $000	2015 $000
Brokerage and fees prepaid	57	61
	57	61

NOTE 14: FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
Assets per the statement of financial position	2016 $000	2015 $000
Cash and cash equivalents	4,650	4,612
	4,650	4,612

	Other financial liabilities at amortised cost	
Liabilities per the statement of financial position	2016 $000	2015 $000
Trade and other payables	16	7
	16	7

NOTE 15: UNEARNED INSURANCE PREMIUM

	2016 $000	2015 $000
Unearned premium liability at beginning of period	1,825	1,652
Earnings from premiums written in previous period	(1,825)	(1,652)
Deferral of premiums on contracts written during the period	1,562	1,825
	1,562	1,825

NOTE 16: TRADE, OTHER PAYABLES AND DEFERRED INCOME

	2016 $000	2015 $000
Deferred income	50	57
Provision for claims payable	435	-
Trade payables and accrued expenses	16	7
	501	64

Deferred income relates to risk management fees received in advance for the period to 15 November 2016. 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 17: RECONCILIATION OF NET CASH FROM OPEARATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS

	2016 $000	2015 $000
Profit after tax attributable to the shareholders of the Company	(108)	508
Items classified as investing/ financing		
Interest received	(168)	(172)
	(168)	(172)
Decrease / (Increase) in working capital		
Accounts receivable and prepayments	214	(158)
Taxation payable or receivable	(242)	(3)
Accounts payable and accruals	174	181
	146	20
Net Cash from Operating Activities	(130)	356

NOTE 18: IMPUTATION CREDIT ACCOUNT

	2016 $000	2015 $000
Imputation credits available for use in subsequent reporting periods	1,262	1,262
	1,262	1,262

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 payable.

NOTE 19: 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.

	2016 $000	2015 $000
Actual solvency capital	3,996	4,104
Minimum solvency capital requirement	1,000	1,000
Solvency capital margin excess	2,996	3,104
Solvency Ratio	400%	410%

NOTE 20: CONTINGENT LIABILITIES, OPERATING LEASES, AND SUBSEQUENT EVENTS

The Company is not aware of any other material contingent liabilities as at balance date (2015: nil).

The Company is not party to any material operating leases at balance date. (2015: None)

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

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NOTE 21: 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 Limited's voting shares. Of the remaining Trustpower Limited shares, Tauranga Energy Consumer Trust owns 26.8% and the residual 22.2% are widely held.

During the year insurance premiums of $2,499,000 (2015: $3,085,000) were received from the parent entity and subsidiaries of the parent entity. These premiums relate to the period 15 November 2015 to 15 November 2016.

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

	2016	2015
	$000	$000
Insurance premium revenue	**2,762**	2,817
Impact on profit before income tax	**2,762**	2,817

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 22: 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.

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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 ("the Company") on pages 2 to 14, which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 on behalf of the Company for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 are independent of the Company. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the Company.

Opinion
In our opinion, the financial statements on pages 2 to 14 present fairly, in all material respects, the financial position of the Company as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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 — Auckland
13 May 2016

Davies Financial and Actuarial Limited

5th May 2016

To: The Directors
TrustPower Insurance Limited

From: Peter Davies
Appointed Actuary

Re: TrustPower Insurance Limited ("the Company"): Report as at 31st March 2016 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for the Company as at 31st March 2016. "Actuarial information" includes the following:

   - claim provisions and unexpired risk / unearned premium provisions;
   - balance sheet and other information allowed for in the calculation of the company's solvency position; and
   - disclosures regarding the methodology and assumptions used for calculating claim provisions, unexpired risk provisions, and other disclosures.

2. No limitations have been placed on my work.

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3. I am independent with respect to the Company as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

4. I have been provided with all information that I have requested in order to carry out this review.

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

6. The Company's position as at 31st March 2016 under the RBNZ Solvency Standard for Captive Insurers Transacting Non-life Insurance Business can be summarised as follows

	March 2016	March 2015
Solvency capital	3,995,935	4,104,000
Calculated minimum requirement:	220,209	258,191
Minimum requirement per Standard:	1,000,000	1,000,000
Solvency Margin:	2,995,935	3,104,000
Solvency Coverage Ratio:	400%	410%

The Company is projected to meet the requirements of this Standard at all times over the next three years.

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

Yours sincerely

Peter

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

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