TRUSTPOWER INSURANCE LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FINANCIAL STATEMENTS 2018

The Directors are pleased to present the financial statements of Trustpower Insurance Limited for the year ended 31 March 2018.

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 2018 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: 11 May 2018

Company No.	1981114
Incorporated	12 September 2007

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $000	2017 $000
Insurance premium revenue	4	**1,439**	2,087
Insurance premium ceded to other reinsurers	4	**(1,201)**	(1,699)
Net Insurance Premium Revenue		**238**	388
Fee income - insurance contracts	5	**42**	68
Net Income		**280**	456
Net insurance benefits and claims paid		**72**	42
Expenses for the acquisition of insurance and investment contracts		**90**	94
Other operating expenses	7	**16**	19
Expenses		**178**	156
Results of Operating Activities		**102**	301
Interest received	6	**(79)**	(95)
Net finance revenue		**(79)**	(95)
Profit Before Income Tax		**181**	396
Income tax expense	8	**51**	111
Profit After Tax Attributable to the Shareholders of the Company		**130**	285
Other comprehensive income		**-**	-
Total Comprehensive Income		**130**	285

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Note	Share Capital $000	Retained Earnings $000	Total Equity $000
Opening balance as at 1 April 2016		1,000	2,996	3,996
Total comprehensive income for the period		-	285	285
Dividend paid		-	(2,000)	(2,000)
Balances as at 31 March 2017		1,000	1,281	2,281
Total comprehensive income for the period		-	130	130
Dividend paid		-	-	-
Closing balances as at 31 March 2018		**1,000**	**1,411**	**2,411**

The accompanying notes form part of these financial statements

TRUSTPOWER INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 $000	2017 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	9	**1,000**	1,000
Retained earnings	10	**1,411**	1,281
Total Equity		**2,411**	2,281
Represented by:			
Current Assets			
Cash and cash equivalents	11	**63**	2,475
Reinsurance assets	12	**785**	730
Advance to Trustpower Limited	21	**2,550**	-
Prepayments	13	**52**	45
Taxation receivable		**10**	-
		3,460	3,250
Total Assets		**3,460**	3,250
Current Liabilities			
Unearned insurance premium	15	**940**	875
Trade, other payables and deferred income	16	**109**	54
Taxation payable		**-**	41
		1,049	969
Total Liabilities		**1,049**	969
Net Assets		**2,411**	2,281

The accompanying notes form part of these financial statements

TRUSTPOWER INSURANCE LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $000	2017 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		**1,535**	1,448
		1,535	1,448
Cash was applied to:			
Payments to suppliers		**1,350**	1,739
Taxation paid		**100**	(21)
		1,450	1,718
Net Cash from Operating Activities	17	**85**	(270)
Cash Flows from Investing Activities			
Cash was applied to:			
Advance to Trustpower	21	**2,550**	-
		2,550	-
Net Cash from Investing Activities		**(2,550)**	-
Cash Flows from Financing Activities			
Cash was provided from:			
Interest received		**53**	95
Cash was applied to:			
Dividends paid		**-**	(2,000)
		53	(1,905)
Net Cash used in Financing Activities		**53**	(1,905)
Net Decrease in Cash, Cash Equivalents and Bank Overdrafts		**(2,412)**	(2,175)
Cash, Cash equivalents and bank overdrafts at beginning of the year		**2,475**	4,650
Cash, Cash Equivalents and Bank Overdrafts at End of the Year		**63**	2,475

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 108 Durham Street, Tauranga.

These financial statements relate to the year ended 31 March 2018 and have been approved for issue by the Board of Directors on 11 May 2018.

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 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 (continued)

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except as set out below:

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 expects it to have no significant effect on its financial statements

2.3 Financial Assets

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. Loans and receivables and carried at amortised cost using the effective interest method.

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.

2.4 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 statement of comprehensive income from the commencement date over the period of the contract.

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

2.5 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

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

2.12 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.

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 and financial liabilities. The most important components of this financial risk are interest rate risk and credit risk.

The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk. If interest rates had been 1% higher/lower, operating profit for the year would have increased/(decreased) by $26,000/($26,000) (2017: increased/(decreased) by $24,000/($24,000)).
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.
The majority of investments are in the intercompany loan with Trustpower Limited. 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. The Company has an interentity loan with Trustpower Limited, the terms of the loan are that it is repayable on demand and interest is charged at the New Zealand Official Cash rate plus 2%.

NOTE 4: NET INSURANCE PREMIUM REVENUE

	2018 $000	2017 $000
Gross written premiums	**1,504**	1,400
Movement in unearned premiums (see note 15)	**(65)**	687
Premium revenue	**1,439**	2,087
Gross outward reinsurance premiums	**1,255**	1,168
Movement in prepaid outward reinsurance premiums (see note 12)	**(54)**	531
Outward reinsurance premium expense	**1,201**	1,699
Net insurance premium revenue	**238**	388

Short-term insurance contracts:		
- Premium revenue	**1,439**	2,087
Premium revenue arising from insurance contracts issued	**1,439**	2,087
Short-term reinsurance contracts:		
- Reinsurance expense	**(1,201)**	(1,699)
Premium revenue ceded to reinsurers on insurance contracts issued	**(1,201)**	(1,699)
Net insurance premium revenue	**238**	388

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

	2018 $000	2017 $000
Policy administration services:		
- Insurance contracts	**42**	68
	42	68

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

	2018 $000	2017 $000
Cash and cash equivalents interest income	**53**	95
Interest on interentity loan	**26**	
Total interest received	**79**	95

NOTE 7: OTHER OPERATING EXPENSES

	2018 $000	2017 $000
Audit fees and expenses	**6**	6
Fees paid for other audit related services provided by the auditors*	**7**	10
Other administration costs	**3**	3
	16	19

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

NOTE 8: INCOME TAX EXPENSE

	2018 $000	2017 $000
Profit before income tax	**181**	396
Tax on profit @ 28%	**51**	111
	51	111
Represented by:		
Current tax	**51**	111
	51	111

NOTE 9: SHARE CAPITAL

	2018 $000	2017 $000
Authorised and issued ordinary shares at end of year	**1,000**	1,000
	1,000	1,000

	2018 No. of shares	2017 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

	2018 $000	2017 $000
Balance at beginning of year	**1,281**	2,996
Profit for the year	**130**	285
Dividends paid	**-**	(2,000)
	1,411	1,281

NOTE 11: CASH AND CASH EQUIVALENTS

	2018 $000	2017 $000
Cash at bank	**63**	4
Short-term bank deposits	**-**	2,472
	63	2,475

The Company had no short-term bank deposits is at 31 March 2018, at 31 March 2017 the average maturity was 30.75 days. The effective interest rate on short-term deposits was 2.89% at 31 March 2017.

NOTE 12: REINSURANCE ASSETS

	2018 $000	2017 $000
Prepaid reinsurance	**785**	730
	785	730

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 2018.

NOTE 13: PREPAYMENTS

	2018 $000	2017 $000
Brokerage and fees prepaid	**52**	45
	52	45

NOTE 14: FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
	2018	2017
Assets per the statement of financial position	**$000**	$000
Cash and cash equivalents	**63**	2,475
Advance to Trustpower Limited	**2,550**	
	2,613	2,475

	Other financial liabilities at amortised cost	
	2018	2017
Liabilities per the statement of financial position	**$000**	$000
Trade and other payables	**89**	24
	89	24

NOTE 15: UNEARNED INSURANCE PREMIUM

	2018	2017
	$000	$000
Unearned premium liability at beginning of period	**875**	1,562
Earnings from premiums written in previous period	**(875)**	(1,562)
Deferral of premiums on contracts written during the period	**940**	875
	940	875

NOTE 16: TRADE, OTHER PAYABLES AND DEFERRED INCOME

	2018	2017
	$000	$000
Deferred income	**20**	30
Trade payables and accrued expenses	**89**	24
	109	54

Deferred income relates to risk management fees received in advance for the period to 15 November 2018. 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 OPERATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS

	2018	2017
	$000	$000
Profit after tax attributable to the shareholders of the Company	**130**	285
Items classified as investing/ financing		
Interest paid	**-**	-
Interest received	**(53)**	(95)
	(53)	(95)
Decrease / (Increase) in working capital		
Accounts receivable and prepayments	**(61)**	543
Taxation payable or receivable	**(50)**	132
Accounts payable and accruals	**119**	(1,134)
	8	(460)
Net Cash from Operating Activities	**85**	(270)

NOTE 18: IMPUTATION CREDIT ACCOUNT

	2018 $000	2017 $000
Imputation credits available for use in subsequent reporting periods	647	595
	647	595

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.

	2018 $000	2017 $000
Actual solvency capital	2,411	2,281
Minimum solvency capital requirement	1,000	1,000
Solvency capital margin excess	1,411	1,281
Solvency Ratio	241%	228%

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

The Company is not aware of any other material contingent liabilities as at balance date (2017: nil).

The Company is not party to any material operating leases at balance date. (2017: None)

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

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 $1,503,691 (2017: $1,399,500) were received from the parent entity and subsidiaries of the parent entity. These premiums relate to the period 15 November 2017 to 15 November 2018.

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

	2018 $000	2017 $000
Insurance premium revenue	1,439	2,087
Impact on profit before income tax	1,439	2,087

During the year the company advanced surplus funds totalling $2,550,000 to the parent entity with an interest rate charged on the funds of 3.75%.

The impact of this advance to the parent company is shown below.

	2018 $000	2017 $000
Advance to Trustpower Limited	2,550	-
Interest received	26	-

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. The advance to Trustpower Limited is repayable on demand and interest is charged at the New Zealand Official Cash Rate plus 2%.

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.

Davies Financial and Actuarial Limited

14th June 2018

To: The Directors
TrustPower Insurance Limited

From: Peter Davies
Appointed Actuary

Re: TrustPower Insurance Limited ("the Company"): Report as at 31st March 2018 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 2018. "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.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay 0632
P.O. Box 35-258, Browns Bay, Auckland 0753
Telephone (09) 489-3551
Facsimile: (09) 489-6613
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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 2018 under the RBNZ Solvency Standard for Captive Insurers Transacting Non-life Insurance Business can be summarised as follows

	March 2018	March 2017
Solvency capital	2,411,000	2,281,000
Calculated minimum requirement:	529,015	165,429
Minimum requirement per Standard:	1,000,000	1,000,000
Solvency Margin:	1,411,000	1,281,000
Solvency Coverage Ratio:	241%	228%

The Company is projected to meet the requirements of this Standard at all times over the next four 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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Independent auditor's report

To the shareholders of Trustpower Insurance Limited

The financial statements comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cashflow statement for the year then ended; and
- the notes to the financial statements, which include a statement of accounting policies.

Our opinion

In our opinion, the financial statements of Trustpower Insurance Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

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

Our firm carries out other services for the Company in the areas of review of the annual solvency certificate. The provision of this service has not impaired our independence as auditors of the Company.

Our firm carries out other services for the Trustpower Limited (Trustpower Insurance's parent) in the areas of tax compliance, specifically the review of income tax returns and tax related correspondence. We are also engaged to provide general tax advisory services. We provided other services including an assessment of the processes surrounding Trustpower Limited's accounting system migration and other assurance engagements related to the telecommunications development levy and anti-money laundering compliance advice. Trustpower Limited also purchased a benchmarking publication from us during the year. The provision of these other services and products has not impaired our independence as auditor of the Company.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not express any form of assurance conclusion on the other information. At the time of our audit, the directors have advised that no other information will be included in the annual report.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/

This description forms part of our auditor's report.

Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Pip Cameron.
For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
11 May 2018

Auckland