

**Trustpower Insurance Limited**  
Financial Statements for the year ended 31 March 2019

**TRUSTPOWER INSURANCE LIMITED**  
**FINANCIAL STATEMENTS 2019**

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**TRUSTPOWER INSURANCE LIMITED**  
**DIRECTORS' RESPONSIBILITY STATEMENT**  
**FINANCIAL STATEMENTS 2019**

The Directors are pleased to present the financial statements of Trustpower Insurance Limited for the year ended 31 March 2019.

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 2019 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.

The shareholders of the Company have exercised their right under section 211 (3) of the Companies Act 1993 ("the Act") and unanimously agreed that this Annual Report need not comply with any of paragraphs (a), and (e) to (l) of section 211 (1) of the Act.

  
Alan N Bickers  
Director

  
Vincent J Hawksworth  
Director

Dated: 28 June 2019

Company No.  
Incorporated

1981114  
12 September 2007

**TRUSTPOWER INSURANCE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 \$000	2018 \$000
Insurance premium revenue	4	1,457	1,439
Insurance premium ceded to other reinsurers	4	(1,253)	(1,201)
<b>Net Insurance Premium Revenue</b>		<b>204</b>	<b>238</b>
Fee income - insurance contracts	5	41	42
Investment income	6	-	-
<b>Net Income</b>		<b>245</b>	<b>280</b>
Insurance benefits and claims paid	3.1.1	2,300	72
Insurance benefits and claims received	3.1.1	(1,800)	-
Net claims expense		500	72
Expenses for the acquisition of insurance and investment contracts		82	90
Other operating expenses	7	23	16
<b>Expenses</b>		<b>605</b>	<b>178</b>
<b>Results of Operating Activities</b>		<b>(360)</b>	<b>102</b>
Interest received	6	(98)	(79)
Net finance revenue		(98)	(79)
<b>Profit/(Loss) Before Income Tax</b>		<b>(262)</b>	<b>181</b>
Income tax expense/(credit)	8	(73)	51
<b>Profit/(Loss) After Tax Attributable to the Shareholders of the Company</b>		<b>(189)</b>	<b>130</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss)</b>		<b>(189)</b>	<b>130</b>

**TRUSTPOWER INSURANCE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Share Capital \$000	Retained Earnings \$000	Total Equity \$000
Opening balance as at 1 April 2017		1,000	1,281	2,281
Total comprehensive income for the period		-	130	130
<b>Balances as at 31 March 2018</b>		<b>1,000</b>	<b>1,411</b>	<b>2,411</b>
Total comprehensive income/(loss) for the period		-	(189)	(189)
<b>Closing balances as at 31 March 2019</b>		<b>1,000</b>	<b>1,222</b>	<b>2,222</b>

*The accompanying notes form part of these financial statements*

**TRUSTPOWER INSURANCE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2019**

	2019	2018
Note	\$000	\$000
<b>Equity</b>		
<i>Capital and reserves attributable to shareholders of the Company</i>		
Share capital	1,000	1,000
Retained earnings	1,222	1,411
<b>Total Equity</b>	<b>2,222</b>	<b>2,411</b>
<i>Represented by:</i>		
<b>Current Assets</b>		
Cash and cash equivalents	78	63
Reinsurance assets	2,583	785
Advance to Trustpower	2,673	2,550
Accounts receivable and prepayments	97	52
Taxation receivable	-	10
	<b>5,431</b>	<b>3,460</b>
<b>Total Assets</b>	<b>5,431</b>	<b>3,460</b>
<b>Current Liabilities</b>		
Unearned insurance premium	861	940
Trade, other payables, deferred income and claims provision	2,348	113
	<b>3,209</b>	<b>1,052</b>
<b>Total Liabilities</b>	<b>3,209</b>	<b>1,052</b>
<b>Net Assets</b>	<b>2,222</b>	<b>2,407</b>

*The accompanying notes form part of these financial statements*

**TRUSTPOWER INSURANCE LIMITED**  
**CASHFLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	2019	2018
Note	\$000	\$000
<b>Cash Flows from Operating Activities</b>		
<i>Cash was provided from:</i>		
Receipts from customers	1,521	1,535
	<u>1,521</u>	<u>1,535</u>
<i>Cash was applied to:</i>		
Payments to suppliers	1,530	1,350
Taxation paid	-	101
	<u>1,530</u>	<u>1,451</u>
<b>Net Cash from Operating Activities</b>	17 <u>(9)</u>	<u>85</u>
<b>Cash Flows from Investing Activities</b>		
<i>Cash was provided from:</i>		
Return of advance from Trustpower	24	-
	<u>24</u>	<u>-</u>
<i>Cash was applied to:</i>		
Advance to Trustpower	-	2,550
	<u>-</u>	<u>2,550</u>
<b>Net Cash used in Investing Activities</b>	<u>24</u>	<u>(2,550)</u>
<b>Cash Flows from Financing Activities</b>		
<i>Cash was provided from:</i>		
Interest received	-	53
	<u>-</u>	<u>53</u>
<b>Net Cash used in Financing Activities</b>	<u>-</u>	<u>53</u>
<b>Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts</b>	15	(2,412)
Cash, Cash equivalents and bank overdrafts at beginning of the year	63	2,475
<b>Cash, Cash Equivalents and Bank Overdrafts at End of the Year</b>	<u>78</u>	<u>63</u>

*The accompanying notes form part of these financial statements*

**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**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 2019 and have been approved for issue by the Board of Directors on 28 June 2019.

**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. It is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 because it is a licensed insurer. 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.

**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)**

**2.2 Adoption Status of Relevant New Financial Reporting Standards and Interpretations**

Trustpower has adopted the following new standard in the current year and has changed its accounting policies accordingly.

**NZ IFRS 9 Financial Instruments**

NZ IFRS 9, Financial Instruments alters the requirements for recognising and measuring financial assets and liabilities.

Trustpower Insurance has not had to reclassify any of its financial assets or liabilities as a result of the new standard. The standard introduced a new model for calculating the provision for doubtful debts based on expected credit losses. There was no material change to the provision recognised.

Disclosure changes have been adjusted in accordance with the standard.

**2.3 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.

*Assets at amortised cost*

Assets at amortised cost 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.



**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)**

**2.3 Financial Assets (continued)**

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. Assets at amortised cost 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.

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.

**2.4 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 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.

**2.5 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.

**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)**

**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 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.

**2.10 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.

**2.11 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.

**2.12 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.

**2.13 Trade Payables**

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

**2.14 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 systems. These systems address all material risks, both financial and non-financial, that are likely to be faced by the Company. These are reviewed annually by the Board.

**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**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 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.

Heavy rain caused damage to several of Trustpower Limited's generation schemes on the West Coast of the South Island in March 2019. While the exact cost to repair is yet to be determined, it is unlikely to be greater than \$2,300,000. As such a \$2,300,000 insurance claim payable and a corresponding \$1,800,000 receivable have been recognised.

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 above, there have been no claims notified to the Company in the period under review. 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.

**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**NOTE 4: NET INSURANCE PREMIUM REVENUE**

	2019 \$000	2018 \$000
Gross written premiums	1,378	1,504
Movement in unearned premiums (see note 15)	78	(65)
Premium revenue	<u>1,456</u>	<u>1,439</u>
Gross outward reinsurance premiums	1,251	1,255
Movement in prepaid outward reinsurance premiums (see note 12)	2	(54)
Outward reinsurance premium expense	<u>1,253</u>	<u>1,201</u>
Net insurance premium revenue	<u>203</u>	<u>238</u>
Short-term insurance contracts:		
- Premium revenue	1,456	1,439
Premium revenue arising from insurance contracts issued	<u>1,456</u>	<u>1,439</u>
Short-term reinsurance contracts:		
- Reinsurance expense	(1,253)	(1,201)
Premium revenue ceded to reinsurers on insurance contracts issued	<u>(1,253)</u>	<u>(1,201)</u>
Net insurance premium revenue	<u>203</u>	<u>238</u>

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**

	2019 \$000	2018 \$000
Policy administration services:		
- Insurance contracts	41	42
	<u>41</u>	<u>42</u>

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**

	2019 \$000	2018 \$000
Cash and cash equivalents interest income	-	53
Interest on interentity loan	98	26
Total interest received	<u>98</u>	<u>79</u>

**NOTE 7: OTHER OPERATING EXPENSES**

	2019 \$000	2018 \$000
Audit fees and expenses	12	6
Fees paid for other audit related services provided by the auditors*	10	7
Other administration costs	1	3
	<u>23</u>	<u>16</u>

\* 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 2019**

**NOTE 8: INCOME TAX EXPENSE/(CREDIT)**

	2019 \$000	2018 \$000
Profit/(loss) before income tax	(262)	181
Tax on profit @ 28%	(73)	51
	(73)	51
<i>Represented by:</i>		
Current tax	(73)	51
	(73)	51

**NOTE 9: SHARE CAPITAL**

	2019 \$000	2018 \$000
Authorised and issued ordinary shares at end of year	1,000	1,000
	1,000	1,000

	2019 No. of shares	2018 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**

	2019 \$000	2018 \$000
Balance at beginning of year	1,411	1,281
Profit/(loss) for the year	(189)	130
	1,222	1,411

**NOTE 11: CASH AND CASH EQUIVALENTS**

	2019 \$000	2018 \$000
Cash at bank	78	63
	78	63

**NOTE 12: REINSURANCE ASSETS**

	2019 \$000	2018 \$000
Prepaid reinsurance	783	785
Reinsurance claim accrual	1,800	-
	2,583	785

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 2019.

**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**NOTE 13: ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	2019 \$000	2018 \$000
Brokerage and fees prepaid	59	52
Commission and engineering fees	34	-
GST receivable	4	-
	<b>97</b>	<b>52</b>

**NOTE 14: FINANCIAL INSTRUMENTS BY CATEGORY**

	Assets at amortised cost 2019 \$000	Loans and receivables 2018 \$000
<b>Assets per the statement of financial position</b>		
Cash and cash equivalents	78	63
Accounts receivable excluding prepayments	38	-
Advance to Trustpower	2,673	2,550
	<b>2,789</b>	<b>2,613</b>

	Other financial liabilities at amortised cost	
	2019 \$000	2018 \$000
<b>Liabilities per the statement of financial position</b>		
Trade and other payables	2,311	93
	<b>2,311</b>	<b>93</b>

**NOTE 15: UNEARNED INSURANCE PREMIUM**

	2019 \$000	2018 \$000
Unearned premium liability at beginning of period	940	875
Earnings from premiums written in previous period	(940)	(875)
Deferral of premiums on contracts written during the period	861	940
	<b>861</b>	<b>940</b>

**NOTE 16: TRADE, OTHER PAYABLES, DEFERRED INCOME AND CLAIMS PROVISION**

	2019 \$000	2018 \$000
Deferred income	37	20
Trade payables and accrued expenses	11	93
Insurance claim provision	2,300	-
	<b>2,348</b>	<b>113</b>

Deferred income relates to risk management fees received in advance for the period to 15 November 2019. 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.

**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**NOTE 17: RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS**

	2019 \$000	2018 \$000
Profit/(loss) after tax attributable to the shareholders of the Company	(189)	130
<i>Items classified as investing/ financing</i>		
Interest received	(98)	(53)
<i>Non-cash items</i>		
Intercompany charges	(83)	-
<i>Decrease / (Increase) in working capital</i>		
Accounts receivable and prepayments	(1,839)	(61)
Taxation payable or receivable	9	(50)
Accounts payable and accruals	2,189	119
	360	8
Net Cash from Operating Activities	(10)	85

**NOTE 18: IMPUTATION CREDIT ACCOUNT**

	2019 \$000	2018 \$000
Imputation credits available for use in subsequent reporting periods	-	647
	-	647

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.

During the period the Company became a member of Trustpower Limited's consolidated tax group and transferred its prior year imputation credit balance to Trustpower Limited.

**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.

	2019 \$000	2018 \$000
Actual solvency capital	2,222	2,407
Minimum solvency capital requirement	1,000	1,000
Solvency capital margin excess	1,222	1,407
Solvency Ratio	222%	241%

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

The Company is not aware of any other material contingent liabilities as at balance date (2018: nil).

The Company is not party to any material operating leases at balance date. (2018: None)

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

**TRUSTPOWER INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**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 \$1,498,000 (2018: \$1,481,000) were received from the parent entity and subsidiaries of the parent entity. These premiums relate to the period 15 November 2018 to 15 November 2019.

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

	2019 \$000	2018 \$000
Insurance premium revenue	1,498	1,481
Impact on profit before income tax	1,498	1,481

During the year the company invested surplus funds totalling \$2,673,000 in the parent entity with an interest rate charged on the funds of 3.75%.

The impact of this investment in the parent company is shown below.

	2019 \$000	2018 \$000
Advance to Trustpower	2,673	2,550
Interest on advance	98	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.

**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.

**NOTE 23: LIABILITY ADEQUACY TEST**

The company is subject to a highly likely insurance claim (see note 3.1.1 for details). The Company has undertaken a liability adequacy test and has concluded that the unearned premium liability is adequate to cover the future claims based on the historic loss ratio as the Company believes that this claim is one-off in nature and is not indicative of future claims.





## ***Independent auditor's report***

To the shareholders of Trustpower Insurance Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2019;
- 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 accompanying financial statements of Trustpower Insurance Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2019, 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).

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### ***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 services for Trustpower Limited (the Company's parent) in the areas of tax compliance, specifically the review of income tax returns and tax related correspondence which relate to the Company. We also provide an other assurance engagement for the Company in relation to the solvency return. The provision of these other services has not impaired our independence as auditor of the Company.

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## *Our audit approach*

### Overview

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An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality: \$11,680, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark.

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We have determined that there is one key audit matter:

- Valuation of outstanding claim

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### **Materiality**

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### **Audit scope**

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.





### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="293 678 663 714"><i>Valuation of outstanding claim</i></p> <p data-bbox="293 723 782 1034">We considered the valuation of the outstanding claim arising from damage caused by heavy rain to several of Trustpower Limited's generation schemes in March 2019 a key audit matter because the amount of the claim is material, judgement is exercised in determining the quantum of the claim recorded and there is uncertainty over the amount which will ultimately be received.</p> <p data-bbox="293 1064 786 1310">The outstanding claim includes a risk margin that allows for the inherent uncertainty in the central estimate of the future claim payments. In determining the risk margin, management makes judgements about the estimated repair costs and loss of income due to the damage incurred.</p> <p data-bbox="293 1339 683 1400">Refer to note 3.1.1 of the financial statements.</p>	<p data-bbox="804 723 1337 819">Our audit procedures included obtaining an understanding of management's review of the estimates. We have:</p> <ul data-bbox="868 826 1436 1379" style="list-style-type: none"><li data-bbox="868 826 1436 887">○ Reviewed the insurance policy to assess any exclusion clauses;</li><li data-bbox="868 896 1436 1050">○ Considered the work and findings of management's internal experts and the independent consultants engaged by the Company to estimate the costs of remediation;</li><li data-bbox="868 1059 1436 1149">○ Assessed the appropriateness and expertise of the internal experts and independent consultants;</li><li data-bbox="868 1158 1436 1279">○ Assessed the judgements and assumptions made in estimating the repair costs and loss of income based on our knowledge of the insured entities;</li><li data-bbox="868 1288 1436 1379">○ Considered the reasonableness of the risk margin applied by management given the entity is a captive insurer.</li></ul>



We have no matters to report from the procedures performed.

### *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.

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.



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### *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.

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### *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-2/>

This description forms part of our auditor's report.

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### *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.

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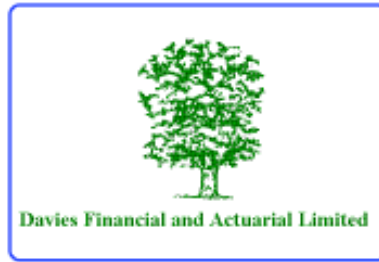
The engagement partner on the audit resulting in this independent auditor's report is Philippa (Pip) Cameron.

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, stylized font.

Chartered Accountants  
28 June 2019

Auckland



31<sup>st</sup> May 2019

To: The Directors  
TrustPower Insurance Limited

From: Peter Davies  
Appointed Actuary

**Re: TrustPower Insurance Limited (“the Company”): Report  
as at 31<sup>st</sup> March 2019 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 31<sup>st</sup> March 2019. “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.



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 31<sup>st</sup> March 2019 under the RBNZ Solvency Standard for Captive Insurers Transacting Non-life Insurance Business can be summarised as follows

	March 2019	March 2018
Solvency capital	2,222,000	2,411,000
Calculated minimum requirement:	633,460	529,015
Minimum requirement per Standard:	1,000,000	1,000,000
Solvency Margin:	1,222,000	1,411,000
Solvency Coverage Ratio:	222%	241%

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



Better together.

New Zealand Companies Office  
Registrar of Companies

10 December 2019

**Trustpower Insurance Limited**

Please find attached amended financial statements for Trustpower Insurance Limited for the year ended 31 March 2019. The original set was scanned with an earlier draft of note 191 'Solvency Requirements'. The amended set includes the correct version of this note. There are no other changes.

Yours sincerely

A handwritten signature in black ink, appearing to be "Karl Wansbone", written over a long horizontal line.

Karl Wansbone  
Financial Controller

**Trustpower Limited**

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