Unison Insurance Limited
Financial statements
for the year ended 31 March 2015

Contents

Unison Insurance Limited
Statement of financial performance
For the year ended 31 March 2015

	Notes	2015 $'000	2014 $'000
Premium revenue	3	**1,667**	1,811
Reinsurance and claims expense	3	**(534)**	(853)
Other income	3	**592**	172
Expenses	5	**165**	142
Profit before income tax		**1,560**	988
Income tax expense	6	**434**	276
Profit for the year		**1,126**	712

Unison Insurance Limited
Statement of comprehensive income
For the year ended 31 March 2015

	Notes	2015 $'000	2014 $'000
Profit for the year		**1,126**	712
Items that will not be reclassified to profit or loss:			
		-	-
		-	-
Items that may be subsequently reclassified to profit or loss:			
		-	-
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**1,126**	712

The above statements of financial performance and comprehensive income should be read in conjunction with the accompanying notes

Unison Insurance Limited
Balance sheet
As at 31 March 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**3,615**	3,269
Trade and other receivables		**-**	2
Other financial assets	9	**1,452**	-
Interest receivable		**41**	20
Total current assets		**5,108**	3,291
Non-current assets			
Other financial assets	10	**7,385**	7,966
Total non-current assets		**7,385**	7,966
Total assets		**12,493**	11,257
LIABILITIES			
Current liabilities			
Trade and other payables	11	**19**	12
Current tax liabilities	6	**148**	45
Total current liabilities		**167**	57
Total liabilities		**167**	57
Net assets		**12,326**	11,200
EQUITY			
Contributed equity	16	**8,700**	8,700
Retained earnings	17	**3,626**	2,500
Total equity		**12,326**	11,200

For and on behalf of the Board.

Director

18 June 2015

Director

18 June 2015

The above statement of financial position should be read in conjunction with the accompanying notes

	Notes	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2014		8,700	2,500	11,200
Profit or loss for the year		-	1,126	1,126
Total comprehensive income		-	1,126	1,126
Issue of share capital	16	-	-	-
Balance as at 31 March 2015		8,700	3,626	12,326
Balance as at 1 April 2013		2,000	1,788	3,788
Profit or loss for the year		-	712	712
Total comprehensive income		-	712	712
Issue of share capital	16	6,700	-	6,700
Balance as at 31 March 2014		8,700	2,500	11,200

The above statement of changes in equity should be read in conjunction with the accompanying notes

Unison Insurance Limited
Statement of cash flows
For the year ended 31 March 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Insurance premiums		**1,667**	1,810
Reinsurance		**(534)**	(670)
Payment to suppliers & employees		**(159)**	(320)
Income taxes paid	6,(c)	**(323)**	(307)
Net cash inflow / (outflow) from operating activities	22	**651**	513
Cash flows from investing activities			
Investment income		**131**	105
Interest received from Parent		**345**	67
Repayment of investments		-	930
Purchase of bonds		-	(548)
Purchase of investments		**(781)**	(260)
Amounts advanced to Parent		-	(1,700)
Net cash inflow / (outflow) from investing activities		**(305)**	(1,406)
Cash flows from financing activities			
Capital injection		-	1,700
Intercompany loan repayment		-	(98)
Net cash inflow / (outflow) from financing activities		-	1,602
Net increase (decrease) in cash and cash equivalents		**346**	709
Cash and cash equivalents at the beginning of the financial year		**3,269**	2,560
Cash and cash equivalents at end of year	7	**3,615**	3,269

The above cashflow statement should be read in conjunction with the accompanying notes

1 General information

The principal activity of Unison Insurance Limited is to act as a captive insurance company.

Unison Insurance Limited is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 1101 Omahu Road, Hastings, New Zealand.

Unison Insurance Limited is a wholly owned subsidiary of Unison Networks Limited.

These financial statements have been approved for issue by the Board of Directors on 18 June 2015.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include financial statements for Unison Insurance Limited as an individual entity.

(a) Basis of preparation

Reporting Entity

The financial statements presented are for Unison Insurance Limited (the 'Company').

The financial statements of the Company have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Reporting Standards, as appropriate for Tier 1 for-profit entities preparing general purpose financial statements. The financial statements also comply with International Financial Reporting Standards (IFRS).

Statutory base

The Company is a reporting entity for the purpose of the Financial Market Conduct Act 2013 as it is a licensed insurer. The Company must now prepare financial statements under the Financial Market Conduct Act 2013 starting on 31 March 2015. Therefore these financial statements have been prepared in accordance with the requirements of the Financial Market Conduct Act 2013 and the New Zealand Companies Act 1993 .

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Changes in accounting policy and disclosures

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- **NZ IFRS 9, 'Financial instruments',** addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of financial performance, unless this creates an accounting mismatch. The Company is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than the accounting period beginning on or after 1 January 2017. The Company will also consider the impact of the remaining phases of NZ IFRS 9 when completed by the IASB.

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

2 Summary of significant accounting policies (continued)

(2.1) Critical accounting estimates and judgements in applying policies

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes.

The most significant judgements, estimates and assumptions made in the preparation of these financial statements are in respect to insurance activities (note13) and the valuation of investments (note12).

Fair Value Estimation

The fair value of financial assets and financial liabilities, must be estimated for recognition and measurement, or for disclosure purposes. The fair value of instruments traded in active markets (such as equities and bonds) is based on closing market prices at balance date.

The valuations determined for instruments not traded on an active market can vary significantly based on assumptions in relation to the interest rates and foreign exchange rates.

(2.2) Foreign currency translation

Transactions in foreign currencies are translated at the New Zealand rate of exchange at the date of the transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variances arising included in the statement of financial performance.

(2.3) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied (net of Goods and Services Tax). Revenue is recognised as follows:

(i) Income Attributable to Insurance Business
Premium revenue comprises amounts charged to policyholders and excludes fire service and earthquake levies collected on behalf of statutory bodies. The earned portion of premium received and receivable is recognised as revenue. Premium revenue is recognised as earned from the date of attachment of risk (generally the date a contract is agreed to) over the period of the related insurance contract in accordance with the pattern of the risk expected under the contract. The unearned portion of premium is recognised as an unearned premium liability on the Statement of Financial Position.

(ii) Interest income
Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

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

(2.4) Outward Reinsurance

Reinsurance premiums ceded are recognised as an expense in accordance with the pattern of reinsurance services received.

(2.5) Reinsurance and Other Recoveries Receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not reported are assessed in a manner similar to the assessment of outstanding claims.

2 Summary of significant accounting policies (continued)

(2.6) Liability Adequacy Test

The liability adequacy test is an assessment of whether the carrying amount of the recognised liabilities are adequate and is conducted at each reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts exceed the recognised liabilities then the recognised liabilities are deemed to be deficient. Any deficiency arising from the test is recognised in the Statement of Financial Performance, with the corresponding impact on the Statement of Financial Position.

(2.7) Assets which back Insurance Liabilities

Ultimately all financial assets of the Company are available to back insurance liabilities.

(2.8) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(2.9) Trade and other receivables

Trade receivables are stated at cost less impairment losses.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. 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 receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of financial performance.

(2.10) Investments and other financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) 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 acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) 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 end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes (2.8) and (2.9) above).

(iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

(iv)Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 Summary of significant accounting policies (continued)

Recognition and measurement

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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 financial performance. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of financial performance within the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of financial performance as part of other income when the Company's right to receive payments is established.

Impairment of financial assets

(i) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of financial performance.

(ii) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 the statement of financial performance on equity instruments are not reversed through the statement of financial performance. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of financial performance.

(2.11) Fair Value of Financial Instruments

Fair value measurements recognised in the Statement of Financial Position

Financial instruments are categorised into 3 levels:

2 Summary of significant accounting policies (continued)

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments disclosed in these financial statements are categorised as Level 1. That is, the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. There were no transfers between any of the Levels during the year.

The Company does not use any derivative financial instruments.

(2.12) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(2.13) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a realisable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement.

(2.14) Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable/(receivable) based on the taxable profit/(loss) for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the income statement, except when it related to items charged or credited directly to equity, in which case the tax is dealt with in equity.

(2.15) Goods and Services Tax (GST)

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(2.16) Contributed Equity

Ordinary shares are classified as equity.

3 Insurance Underwriting Result

	2015 $'000	2014 $'000
Analysis of Insurance operating result		
Premium revenue	**1,667**	1,811
Reinsurance premium expense	**(534)**	(660)
Net claims incurred	**-**	(193)
Net underwriting result	**1,133**	958
Other revenue		
Income from investments	**498**	172
Fair value movement on investments	**94**	-
	592	172
	1,725	1,130

4 Net claims incurred

	2015 $'000	2014 $'000
Total claims incurred during the year	**-**	193
Net claims incurred	**-**	193

Claims costs are reliably estimated and claims are usually settled in one year, therefore there is no claims development from prior years. There are no outstanding claims liability at year end.

5 Expenses

	2015 $'000	2014 $'000
Expenses, excluding finance costs, included in the income statement classified by nature		
Captive management fees	**38**	38
Audit NZ - Audit of the annual financial statements	**12**	10
Audit NZ - Audit of the Annual Solvency Return	**14**	-
Directors fees	**14**	12
Other expenses	**25**	20
Corporate management charges	**62**	62
	165	142

6 Income tax expense/(benefit)

(a) Income tax expense

	2015 $'000	2014 $'000
Current tax:		
Current tax	**436**	276
Prior period current tax adjustment	**(2)**	-
Income tax expense	**434**	276

(b) Reconciliation of income tax expense to prima facie tax payable

	2015 $'000	2014 $'000
Profit from continuing operations before income tax expense	**1,560**	988
Prima facie tax at 28% (2014: 28%)	**436**	276
Prior period current tax adjustment	**(2)**	-
	434	276

(c) Taxation payable/(refund)

	2015 $'000	2014 $'000
Opening balance	**45**	90
Current year taxation expense	**436**	276
Taxation paid	**(323)**	(307)
Prior period current tax adjustment	**(2)**	-
Withholding tax	**(8)**	(14)
Closing balance	**148**	45

The Parent imputation credit account includes Unison Insurance Limited as part of the Unison Consolidated Income Tax Group.

7 Current assets - Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and in hand	**1,998**	962
AUD Account	**8**	19
Term deposits	**1,550**	-
NZD Trust Account	**59**	2,288
	3,615	3,269

(a) Risk exposure

The Company's exposure to interest rate risk is discussed in note 12(a). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Term Deposits

The deposits are bearing fixed interest rates between 4.20% and 4.40% (2014: Nil). These deposits have a maturity between 23 days and 83 days.

(c) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

8 Credit Rating

Unison Insurance Limited is not required to have a rating under section 60 (2) (c) of the Insurance (Prudential Supervision) Act 2010 as it is a captive insurer.

9 Current assets - Other financial assets

	2015 $'000	2014 $'000
Government bonds	**501**	-
Corporate bonds	**201**	-
Term deposits	**750**	-
	1,452	-

The government bond was previously held as a requirement of the Insurance Deposit Act 1953. Unison Insurance Limited received a full licence on 22 July 2013 under the Insurance (Prudential Supervision) Act 2010. Prior to Unison Insurance Limited obtaining its full licence restrictions existed on the Group's ability to deal in this stock. The principal amount is $500,000 with a coupon interest rate of 6% and the maturity date is 15 April 2015. The Government bond is classified as fair value through the profit or loss.

Corporate bonds classified as other financial assets at fair value through the profit or loss with a carrying value of $201,169 (2014: $202,000) have an interest rate of 3.97% (2014: 4.06%) and mature of 24 August 2015.

The term deposit is bearing a fixed interest rate of 4.95% (2014: Nil). This deposit matures on 25 September 2015.

10 Non-current assets - Other financial assets

	2015 $'000	2014 $'000
Corporate bonds	**-**	202
Government bonds	**-**	518
Equities	**685**	541
Related party receivable	**6,700**	6,705
	7,385	7,966

Equities classified as other financial assets at fair value through the profit or loss with a carrying value of $684,603 (2014: $541,000) have share values of between $2.05 and $93.83 per share (2014: between $1.625 and 58.191 per share). Management do not intend to dispose of these within 12 months of balance date.

(a) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the investments.

11 Current liabilities - Payables

	2015 $'000	2014 $'000
Trade payables	**13**	12
Intercompany Payables	**6**	-
	19	12

The average credit period on purchases is 30 days. The Company has financial risk management practices in place to ensure that all payables are paid within the credit timeframe.

12 Financial risk management

The Company has a comprehensive investment policy approved by the board of directors to manage the risks of financial instruments. The policy outlines the objectives and approach that the Company will adopt in the investment management process. The policy covers management of credit risk, interest rate risk, liquidity, and operational risks.

The Company holds the following financial instruments:

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	**3,615**	3,269
Term deposits	**750**	-
Interest receivables	**41**	20
Equity investments	**685**	541
Corporate bonds	**201**	202
Government bonds	**501**	518
Related party receivables	**6,700**	6,705
	12,493	11,255
Financial liabilities		
Trade and other payable	**13**	12
Related party payables	**6**	-
	19	12

(a) Market risk

(i) Foreign exchange risk
Foreign currency risk is the risk that the value of the Company's assets and liabilities or revenues and expenditure will fluctuate due to changes in foreign exchange rates. Reinsurance is purchased in New Zealand dollars, irrespective of where the reinsurer is domiciled, and is effective from the same date and time as the Company writes the policy for its parent and accepts the insurance risk.

The Company is exposed to currency risk as a result of equity investments that are denominated in a currency other than New Zealand dollars. The Company manages this risk through its comprehensive investment policy which limits the Company's foreign currency exposure to a maximum of 20% of the Company's investment portfolio. The Company also holds cash denominated in Australian dollar.

The carrying amounts of the Company's financial assets and liabilities are denominated in New Zealand dollars except as set out below:

	31 March 2015 AUD $'000	31 March 2014 AUD $'000
Cash and cash equivalents	**8**	18
Other financial assets at fair value through the profit or loss	**270**	185

At 31 March 2015, if the currency had weakened / strengthened by 1 cent against the Australian dollar with all other variables held constant, post-tax profit for the year would have been $2.1k (2014: $1.6k) lower / higher, mainly as a result of foreign exchange gains / losses on translation of Australian dollar-denominated financial assets classified as fair value through the profit or loss and foreign exchange losses / gains on translation of cash held in Australian dollars.

(ii) Price risk
The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company's comprehensive investment policy.

12 Financial risk management (continued)

The Company's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: NZX equity index; and ASX equity index.

The table below summarises the impact of increases / decreases of the two equity indexes on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit	
	2015	2014
	$'000	$'000
ASX 200	**10**	10
NZX	**15**	16

(iii) Interest rate risk
The Company's interest rate risk arises from investments in short term deposits and cash held in bank accounts.

(iv) Sensitivity
At 31 March 2015, if interest rates had changed by /+50 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $2,955 lower/higher (2014 $860), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances, and loans and receivables. No collateral is held on these amounts (2014: nil).

The Company minimises its exposure to credit risk by: pre-qualifying the financial institutions or Brokers/Dealers with which the Company will do business. In principle larger investments and those with longer durations will be made in higher quality investments; and diversifying the investment portfolio so that potential losses on individual investments will be minimised.

An analysis of the credit quality of financial assets that are neither past due nor impaired is as follows:

	2015	2014
	$'000	$'000
Fair value through profit or loss		
AAA	**-**	720
AA	**4,205**	3,336
A	**1,024**	76
BBB	**157**	119
Counterparties without external credit ratings	**407**	299
	5,793	4,550
Loans to related parties		
Unison Networks Limited	**6,700**	6,705
	6,700	6,705

None of the loans to related parties are past due nor impaired.

(c) Liquidity risk

Liquidity risk represents the risk that the company may not have the financial ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. Overall the company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and ensure its investments are sufficiently liquid to cover potential shortfalls.

12 Financial risk management (continued)

The investment portfolio must remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio consists largely of investments with active secondary or re-sale markets. Negotiable securities may be sold prior to their maturity to provide liquidity as needed for cash flow purposes.

(d) Financial instruments categories and fair value hierachy

The fair value of financial assets and financial liabilites must be estimated for recognistion and measurement or for disclosure purposes.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 March 2015 and 31 March 2014.

At 31 March 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	3,615	-	-	3,615
Term deposits	750	-	-	750
Interest receivable	41	-	-	41
Other financial assets - government bond	501	-	-	501
Other financial assets - corporate bonds	201	-	-	201
Other financial assets - equities	685	-	-	685
Related party receivables	6,700	-	-	6,700
Total assets	12,493	-	-	12,493

At 31 March 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	3,269	-	-	3,269
Interest receivable	20	-	-	20
Other financial assets - government bond	518	-	-	518
Other financial assets - corporate bonds	202	-	-	202
Other financial assets - equities	541	-	-	541
Related party receivables	6,705	-	-	6,705
Total assets	11,255	-	-	11,255

(e) Fair value estimation

The methods and assumptions used are that carrying amounts in the Financial Statements reflect the estimated fair value of the financial instruments including receivables, bank and investments, and accounts payable.

Classification of financial instruments

	2015	2014
	$'000	$'000
Financial assets at fair value through profit or loss		
Interest receivable	**41**	20
Cash and cash equivalents	**3,615**	3,269
Term deposits	**750**	-
Other financial assets - government bond	**501**	541
Other financial assets - corporate bonds	**201**	518
Other financial assets - equities	**685**	202
Related party receivables	**6,700**	6,705
	12,493	11,255
Financial liabilities at amortised cost		
Trade and other payables	**(13)**	(12)
Related party payables	**(6)**	-
	19	12

13 Insurance contracts - risk management policies and procedures

The financial condition and operation of the Company are affected by a number of key risks including insurance risk, interest rate risk, currency risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk. Notes on the Company's policies and procedures in respect of managing these risks are set out in these accounts.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

Unison Insurance Limited, as the captive insurer and fully-owned subsidiary of Unison Networks Limited, is required to have in place an effective and fully functioning risk management programme. The Company has an objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly reinsurance pricing and movements in asset values. Short-term variability is, to some extent, a feature of insurance business.

It is a requirement under the Insurance (Prudential Supervision) Act 2010 for any licensed insurer domiciled in New Zealand to produce a Risk Management Programme which is to be approved by the Reserve Bank of New Zealand (RBNZ). The purpose of the Risk Management Programme is to formalise, document and consolidate the risk management practices of Unison Insurance Limited, to ensure compliance with sections 18, 34 and 73–75 of the Act. These Sections of the Act are administered by the Reserve Bank of New Zealand. Unison Insurance Limited's Board and senior management have developed the Company's Risk Management Policy and strategies for managing risk. The programme is developed around:

- the generic and international Risk Management Standard, AS/NZS ISO 31000:2009; and
- the specific RBNZ requirements associated with licensed insurance companies domiciled in New Zealand.

The Company's Risk Management Programme has been developed to specifically meet the compliance needs of a Captive Insurance Company underwriting only their stakeholder's (i.e. the parent company's) risks. The programme has been developed to comply with the RBNZ's requirements as set out in the Act, and is reviewed on an annual basis.

The Company's Risk Management Programme has been approved by both the Board and RBNZ.

Pricing - policy pricing is based on market place quotes. This ensures that premiums are no better or worse than the retail market as Unison Insurance Limited does not establish it. Probability of an insurable event - Unison Insurance Limited accepts the probabilities of the New Zealand retail insurance market.

13 Insurance contracts - risk management policies and procedures (continued)

(b) Terms and conditions of insurance

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Company. The Company is authorised to underwrite only the risks of the parent and its subsidiaries.

The Material Damage Business Interruption (MDBI) risk for the Unison Group may be underwritten by Unison Insurance Limited . If the Company writes an MDBI policy for the Unison Group, this policy is fully reinsured in the wholesale market, with matching terms and conditions, but with differing deductibles.

The Transmission and Distribution Policy (T&D Policy) provides limited cover for those electricity and fibre network assets of the Unison Group that are not covered by the MDBI policy above. The T&D Policy is structured to provide catastrophe cover in the event of an earthquake, storm, flood or volcanic eruption. Unison Insurance Limited does not obtain reinsurance for this policy, and therefore retains all the risk associated with this policy.

The Company's net retentions are subject to annual review and approval by the Board at the time of insurance/reinsurance renewal, and prior to the Unison Group's annual Insurance Programme being arranged.

Insurance and reinsurance contracts are entered into annually. At the time of entering into the contract changes in risk are taken into account and all terms and conditions are negotiable or, in the case of renewals, renegotiable.

The attachment of risk for insurance contracts written by UIL is 1 April of each insurance period. During the month of April 2015 the following insurance contracts were written by UIL for the period 1 April 2015 to 1 April 2016:

- Transmission & Distribution policy with a gross written premium of $959,600

(c) 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.

The Company is authorised to underwrite only the risks of the Parent and its subsidiaries.

Risk	Source of concentration	Risk management measures
Natural catastrophes	Properties concentrated in regions that are subject to: - Earthquakes - Storm - Flood - Volcanic eruption	The Company's underwriting strategy requires individual risk premiums to be differentiated in order to reflect the higher loss frequency in particular geographical areas. The Company has modelled aggregated risk by postcode using commercially available catastrophe models. The Company's exposure data across the portfolio encompasses all natural catastrophe risks. Based on the probable maximum loss per the models, the Company purchases catastrophe reinsurance cover where economically available. The loss of damage caused by natural catastrophe to transmission and distribution assets is limited to $9.5 million.

13 Insurance contracts - risk management policies and procedures (continued)

Larger than expected claims	Having a relatively high exposure to material damage and business interruption risks from the Group	The Company has mitigated these risks by retaining sufficient capital within the Company to meet the costs of a large claim. The Company has access to all the Stakeholder data so is in a privileged and well-informed position when determining its risk acceptance policy. The Company has reinsurance cover for material damage (to property other than transmission and distribution assets) to limit the loss to $2.5 million in any one year. The Company does not place Material Damage Business Interruption Cover (to property other than transmission and distribution assets) without first securing reinsurance cover, and then ensures that the policies issued are on the same terms and conditions as the reinsurance cover, but may have differing deductables.
Reinsurance risk	Purchasing insufficient reinsurance protection	The Company's policy is to directly align its reinsurance policies, both in terms of scope and limits, with the insurance policy or policies issued to the Stakeholder. As the reinsurance limits purchased match the Company's policy limits, any exhaustion of reinsurance limits must similarly reduce the liability of the Company under the direct policies issued to the Stakeholder. Automatic reinstatement provisions are neither necessary nor applicable to the reinsurance arrangements in these circumstances. Any reinstatement of policy coverage limits would be at the request of the Stakeholder and the Company would only respond positively subject to reinsurance being available, and following consideration of any further net retention/capital implications. Any such reinsurance premiums would be recovered from the Stakeholder. NB: Reinsurance for transmission and distribution network assets is currently not economically viable and therefore the only reinsurance purchased to date has been for the Unison Group's Material Damage and Business Interruption policies which primarily cover non-network assets (property), but also include network substations and ground-mounted assets. The Company maintains a conservative limit for risk retention, this limit being approved by the Board.

(d) Claims management

It is the Company's policy to insure only its Stakeholder. As a result, the potential for non-notified claims and for late reporting of claims is minimised. Nevertheless, it is the Company's policy to require that the claims reporting restrictions imposed by the Company's reinsurers are imported into the insurance policies issued by the Company.

Because of the limited size and specialist requirements of Unison Insurance Limited, a captive insurance adviser has been appointed to meet the Company's administrative needs. Claims are likely to be infrequent, and the Company uses a third party with claims handling experience to independently review and manage all claims.

(e) Credit risk

The credit rating of all participating reinsurers is monitored by the Company's Adviser who is responsible for warning the Board and management of changes to the credit ratings of any reinsurer involved in the Company's reinsurance programme.

The reinsurer credit ratings are formally reviewed by the Board each year.

13 Insurance contracts - risk management policies and procedures (continued)

Financial assets and liabilities arising from insurance and reinsurance contracts are stated in the balance sheet at the amount that best represents the maximum credit risk exposure at balance date.

There are no significant concentrations of credit risk.

14 Reinsurance Programme

The Company's reinsurance programme is structured to adequately protect the Company's solvency and capital position. The Company places its reinsurance programme with high quality large reinsurance companies with current financial strength ratings of A or better (as rated by Standard and Poor's). Directors are not aware of any event that would impact the current rating of its reinsurers.

The Board annually reviews the credit ratings of the Company's proposed reinsurers. The proposed reinsurers must have the approval of the Board prior to reinsurance being confirmed and shall be subject to review by the Board when the Captive Adviser makes its annual report on the credit worthiness of reinsurers.

There are no assets of the Company arising from reinsurance contracts held by the Company, andt here have been no events that have led to losses that qualify for reimbursement under reinsurance cover.

15 Financial Soundness

The Insurance (Prudential Supervision) Act 2010 requires insurers to maintain solvency at all times. As a captive insurance company Unison needs to maintain solvency as per the Solvency Standard for Captive Insurers. Based on this standard Unison Insurance Limited's solvency status as at 31 March is:

	2015 **$'000**	2014 $'000
Actual Solvency Capital	**12,326**	11,200
Minimum Solvency Capital	**3,396**	2,386
Solvency Margin	**8,930**	8,814
Solvency Ratio	**363 %**	469 %

Unison Insurance Limited has sufficient equity to meet solvency requirements over and above its policy liabilities. The Company reviews its compliance with the solvency requirements of the RBNZ on a monthly basis.

All shareholder equity is retained to ensure the financial soundness of the Company. The high level of liquidity in cash and fixed interest investments is retained for cash flow purposes.

16 Contributed equity

	2015 **$'000**	2014 $'000
Opening balance	**8,700**	2,000
Shares issued during the year	**-**	6,700
	8,700	8,700

The number of ordinary fully paid shares on issue for Unison Insurance Limited is 8,700,000 (2014: 8,700,000).

17 Reserves and retained earnings

(a) Retained earnings

Movements in retained earnings were as follows:

	2015	2014
	$'000	$'000
Opening balance	**2,500**	1,788
Net profit for the year	**1,126**	712
Closing balance	**3,626**	2,500

18 Capital Management

The Reserve Bank of New Zealand (RBNZ) is the prudential regulator and supervisor of all insurers carrying on insurance business in New Zealand, and is responsible for administering the Insurance (Prudential Supervision) Act 2010.

As part of the supervision of insurers in New Zealand the RBNZ requires insurers to carry on business in a prudent manner, and to maintain financial resources appropriate for the size and nature of the business. Having sufficient capital to cover the risks of the business is a critical element in carrying on business in a prudent manner.

The Company's capital management is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Company manages its equity as a by-product of prudently managing revenues, expenses, assets and liabilities to ensure the Company effectively achieves its objectives and purposes, whilst remaining a going concern.

The Company regularly monitors the adequacy of its capital by monitoring its solvency margin in line with the requirements of the Insurance (Prudential Supervision) Act 2010. The Company has complied with these requirements to maintain solvency as per the solvency standards for a captive insurer, and filed the required solvency returns to the Reserve Bank of New Zealand.

19 Contingent Liabilities and Commitments

As at 31 March 2015 the Company had no contingent liabilities nor capital commitments (2014:$Nil).

20 Related party transactions

(a) Group Structure

The ultimate Parent entity within the Group is Unison Networks Limited.

Unison Insurance Limited's principle activity is to act as a captive insurance company. The Company insures certain transmission and distribution assets of Unison Networks Limited, and the fibre optic network of Unison Fibre Limited. The Company also provides material damage and business interruption cover for the Unison Group. All insurance activity between the Company and the Unison Group is transacted via the UIL's parent company. Unison Insurance Limited obtained reinsurance for the material damage and business interruption cover in the wholesale insurance market.

Related parties include:

Unison Networks Limited

Other Group companies

20 Related party transactions (continued)

(b) Transactions with Unison Networks Limited

	2015 $'000	2014 $'000
Insurance premium charge to Parent	**1,667**	1,811
Loan receivable from/(payable to) Parent	**6,700**	6,700
Amounts receivable from/(payable to) Parent	**(6)**	5
Interest received from Parent	**345**	67
Corporate overhead charges paid to Parent	**(62)**	(62)
Issue of equity shares to Parent	**-**	(6,700)

The related party loan receivable with the parent is callable on demand or in the event of a natural disaster. It is not UIL's intention to demand repayment of the outstanding intercompany loan for a minimum period of 12 months from balance date. UIL may demand repayment of the outstanding intercompany loan if required to by a regulatory body and/or in order to ensure UIL remains solvent. UIL has the right to set off any monies owed by UIL to the Parent against the Loan, including the payment of insurance proceeds to the parent. There is no security over the loan.

The related party loan receivable with the parent has an interest rate calculated at the Bank Prime Lending Rate plus 1%, which is adjusted annually. For the 2014-15 financial year this equate to an interest rate of 5.16%.

(c) Directors fees and key management

The names of persons who were directors of the company and their remuneration at any time during the financial year are as follows:

	2015 $	2014 $
B Martin	**7,718**	7,500
J Palairet	**6,593**	4,125
K Sutherland	**-**	-
Total remuneration (short-term employee benefits)	**14,311**	11,625

Directors interests

There were no new interests declared.

21 Events occurring after the reporting period

There were no events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

22 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 $'000	2014 $'000
Profit for the year	**1,126**	712
(Increase)/decrease in receivables	**(19)**	(2)
Increase/(decrease) in payables	**7**	(1)
Increase/(decrease) in income tax payable	**103**	(45)
Investment income	**(472)**	(152)
Fair value gains on other financial assets at fair value through profit or loss	**(94)**	-
Net cash inflow from operating activities	**651**	513

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the shareholder of Unison Insurance Limited

Report on the audit of the financial statements for the year ended 31 March 2015

The Auditor-General is the auditor of Unison Insurance Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company on her behalf.

Opinion on the financial statements

We have audited the financial statements of the company on pages 2 to 22, that comprise the balance sheet as at 31 March, the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2015; and
    - its financial performance and cash flows for the year then ended; and
  - have been prepared in accordance with the applicable financial reporting framework.

Our audit was completed on 18 June 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholders' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's 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 involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company, in accordance with the applicable financial reporting framework and generally accepted accounting practice.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and Part 7 of the Financial Markets Conduct Act 2013.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.

Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

Davies Financial and Actuarial Limited

20th June 2015

To: The Directors
Unison Insurance Limited

From: Peter Davies
Appointed Actuary

Re: Unison Insurance Limited: Report as at 31st March 2015 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 Unison Insurance Limited as at 31st March 2015. "Actuarial information" includes the following:

   - policy liabilities;
   - claim 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 policy liabilities, and other disclosures.

2. No limitations have been placed on my work.

Level 1, 3 Shea Terrace, Takapuna 0622
P.O. Box 35-258, Browns Bay, Auckland 0753
Telephone (09) 489-3551
Facsimile: (09) 489-6613
e-mail: pdavies@actuary.co.nz
home page: www.actuary.co.nz

3. I am independent with respect to Unison Insurance Limited 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. Unison Insurance Limited exceeded the minimum capital requirement of the RBNZ Solvency Standard for Captive Insurers Transacting Non-Life Insurance Business as at 31st March 2015, and is expected to exceed the minimum at all times over the next three years.

   The Company is classified as a "Captive" insurer under the Act.

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

Yours sincerely

Peter

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

Level 1, 3 Shea Terrace, Takapuna 0622 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 Facsimile: (09) 489-6613 home page: www.actuary.co.nz