

Meridian Energy Captive Insurance Limited

Financial Statements

For the year ended 30 June 2021

Statutory Disclosures	Companies Act 1993 Disclosures	Page 2
	Required disclosures under the Companies Act 1993. Directors Responsibility Statement Signed Directors Responsibility Statement	Page 4
Financial Statements	Statement of Comprehensive Income	Page 5
	The income earned and operating expenditure incurred by Meridian Energy Captive Insurance Limited during the financial year.	
	Balance Sheet	Page 6
	A summary of the Meridian Energy Captive Insurance Limited assets and liabilities at the end of the financial year.	
Notes to the Financial Statements	Statement of Changes in Equity	Page 7
	Components that make up the capital and reserves of Meridian Energy Captive Insurance Limited and the changes of each component during the financial year.	
	Statement of Cash Flows	Page 7
	Cash generated and used by Meridian Energy Captive Insurance Limited.	
Notes to the Financial Statements	About this Report	Page 8
	(A) Financial performance	(B) Managing funding
	(C) Financial instruments used to manage risk	(D) Other
	A1. Income Page 9	B1. Share Capital Page 10
	A2. Expenses Page 9	B2. Cash and Cash Equivalents Page 10
	A3. Underwriting Result Page 9	B3. Re-insurance Assets and Insurance Liabilities Page 11
	A4. Taxation Page 10	
Signed Report	Independent Auditor's Report	Page 16

Meridian Energy Captive Insurance Limited

Companies Act 1993 Disclosures

For the year ended 30 June 2021

The Directors of Meridian Energy Captive Insurance Limited (the 'Company' or 'MECIL') present the 2021 annual report to our shareholder. The report includes all information required to be disclosed under the Companies Act 1993. In addition to our statutory obligation we have included additional information to assist you in understanding the activities of the Company.

Date of Incorporation

Meridian Energy Captive Insurance Limited was incorporated on 16 March 2005 under Certificate #1612020.

Principal Activity

The Company is a captive insurance company providing insurance to Meridian Energy Limited and its subsidiaries. All of the Company's liability is reinsured with reputable reinsurance companies.

Registered Office

55 Lady Elizabeth Lane
Queens Wharf
Wellington 6011
New Zealand

Corporate Governance

Interests Register

The Company is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register is available for inspection at its registered office.

Details of all matters that have been entered in the interests register by individual directors are outlined in the directors' profiles. Where a director has declared an interest in a particular entity, as a shareholder and/or director, the declaration serves as a notice that the director may benefit from any transactions between Meridian Energy Limited (the Parent), the Company and the identified entities.

Information Used by Directors

No member of the Board of the Company issued a notice requesting to use information received in their capacity as Directors which would not otherwise have been available to them.

Indemnification and Insurance of Officers and Directors

The Parent indemnifies all directors named in this report, and current executive officers of the Company against all liabilities (other than to the Parent or member of the Company) which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Parent has indemnity insurance for each of its subsidiaries. The total cost of this insurance during the financial year is borne by the Parent. In addition, the Company has indemnified all current directors under a deed of indemnity.

Meridian Energy Captive Insurance Limited

Companies Act 1993 Disclosures

For the year ended 30 June 2021

Board of Directors

Directors' Profiles

During the period under review the following acted as Directors:

Michael Roan (appointed 28/05/19)	Chief Financial Officer, Meridian Energy Limited Director of various Meridian Group subsidiaries
--------------------------------------	---

Neal Barclay (appointed 07/12/17)	Chief Executive Officer, Meridian Energy Limited Director of various Meridian Group subsidiaries
--------------------------------------	---

The Directors received no Director Fees from the Company during the year (2020: Nil).

Auditor

Mike Hoshek of Deloitte Limited was appointed by the Auditor-General to carry out the audit of the Company on his behalf. There have been no additional services provided. The remuneration for services provided by Deloitte Limited for the current financial year is reported in the financial statements.

Shareholder

All ordinary shares of the Company are owned by the Parent, Meridian Energy Limited.

Dividend

The Directors recommend that no dividend be paid (2020: Nil).

Executive Remuneration

The Company did not pay remuneration including benefits in excess of \$100,000 to any employee during the year.

Meridian Energy Captive Insurance Limited

Directors Responsibility Statement

For the year ended 30 June 2021

The Directors are responsible for ensuring that the financial statements fairly present the financial position of the Company as at 30 June 2021 and its financial performance and cash flows 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 and accounting standards have been followed.

The Directors confirm that proper accounting records have been kept which enable the determination of the financial position of the Company as at 30 June 2021 and its financial performance and cash flows for the year ended on that date to ensure compliance of the financial statements with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

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

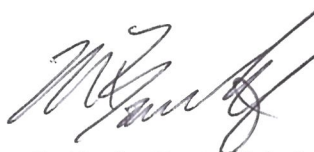
The Directors have pleasure in presenting the financial statements (including notes), set out on pages 5 to 15, of Meridian Energy Captive Insurance Limited for the year ended 30 June 2021.

The annual financial statements were authorised for issue by the Board on 30 September 2021.

For, and on behalf of, the Board.

A handwritten signature in dark ink, appearing to be 'Michael Roan', with a long horizontal flourish extending to the right.

Michael Roan, Director, 30 September 2021

A handwritten signature in dark ink, appearing to be 'Neal Barclay', with a long horizontal flourish extending to the right.

Neal Barclay, Director, 30 September 2021

Meridian Energy Captive Insurance Limited

Statement of Comprehensive Income

For the year ended 30 June 2021

		2021	2020
	Note	\$'000	\$'000
Operating revenue	A1	6,495	4,591
Operating expenses	A2	(6,194)	(4,383)
Earnings before interest and tax (EBIT)		301	208
Operating profit		301	208
Interest income	A1	37	77
Net profit before tax		338	285
Income tax expense	A4	(95)	(80)
Net profit after tax attributed to the shareholders of the parent company		243	205
Total comprehensive income attributed to the shareholders of the parent company		243	205

Meridian Energy Captive Insurance Limited

Balance Sheet


As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	B2	12,495	11,567
Deferred re-insurance premium		5,462	5,101
Interest receivable		2	4
Related Party Receivable	D1	-	213
Total current assets		17,959	16,885
Total non-current assets		-	-
Total assets		17,959	16,885
Current liabilities			
Provision for income tax payable	D1	95	80
Re-insurance premiums payable	B3	6,300	5,881
Sundry payables		19	17
Unearned premium		5,462	5,099
Unearned ceding commission		288	268
Related Party Payable	D1	12	-
Total current liabilities		12,176	11,345
Total non-current liabilities		-	-
Total liabilities		12,176	11,345
Net assets		5,783	5,540
Shareholders equity			
Share capital	B1	2,500	2,500
Retained earnings		3,283	3,040
Total shareholders' equity		5,783	5,540

The directors of Meridian Energy Captive Insurance Limited authorise these financial statements for issue on behalf of the Board.



Michael Roan, Director, 30 September 2021



Neal Barclay, Director, 30 September 2021

Meridian Energy Captive Insurance Limited

Statement of Changes in Equity

For the year ended 30 June 2021

		\$'000	
	Note	Share capital	Retained earnings
Balance at 1 July 2019		2,500	2,835
Net profit for the 2020 financial year		-	205
Total comprehensive income for the year, net of tax		-	205
Balance at 30 June 2020 and 1 July 2020		2,500	3,040
Net profit for the 2021 financial year		-	243
Total comprehensive income for the year, net of tax		-	243
Balance at 30 June 2021		2,500	3,283

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Operating activities			
Receipts from customers		6,836	6,156
Interest received		39	78
		6,875	6,234
Payments to suppliers		(5,867)	(3,972)
Income tax paid		(80)	(81)
		(5,947)	(4,053)
Operating cash flows	B2	928	2,181
Net increase in cash and cash equivalents		928	2,181
Cash and cash equivalents at beginning of year		11,567	9,386
Cash and cash equivalents at end of year	B2	12,495	11,567

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: About this report

For the year ended 30 June 2021

In this section

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding the financial performance and position of MECIL. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of MECIL;
- it helps to explain changes in MECIL's business; or
- it relates to an aspect of MECIL's operations that is important to future performance.

Meridian Energy Captive Insurance Limited (MECIL and the Company) is a for profit entity domiciled in New Zealand, registered under the Companies Act 1993. The registered office of the Company is 55 Lady Elizabeth Lane, Queens Wharf, Wellington, 6011, New Zealand. The shares in the Company are owned by Meridian Energy Limited, a Mixed Ownership Company majority owned by Her Majesty the Queen in Right of New Zealand. Consequently, the Company is bound by the requirements of the Public Finance Act 1989.

The Company's core business is that of an insurance company providing insurance to Meridian Energy Limited and its' subsidiaries. Insurance cover provided is for material damage and business interruption.

These financial statements have been prepared:

- in accordance with Generally Accepted Accounting Practice in New Zealand and comply with the International Financial Reporting Standards (IFRS) and the New Zealand equivalents (NZ IFRS);

- in accordance with the requirements of the Companies Act 1993;

- in accordance with the Financial Markets Conduct Act 2013;

- on the basis of historical cost;

- in New Zealand dollars (NZD), with all values rounded to the nearest thousand dollars

- using accounting policies as provided throughout the notes to the financial statements.

Basis of preparation

The same accounting policies, presentation and methods of computation have been applied consistently to all periods presented in these financial statements.

Key estimate

In the process of applying the Company's accounting policies and the application of accounting standards, Meridian Energy Captive Insurance Limited has made estimates which are based on historic experience and various other factors that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

The estimate which is considered material to understanding the performance of Meridian Energy Captive Insurance Limited is found in the following note:

	Re-insurance assets and re-insurance	Page 11
Note B3:	liabilities	

Other accounting policies

Other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated at the exchange rate prevailing at reporting date.

Other matters in the financial year

COVID-19

As an essential service provider, the Meridian Group continued operations during the 2020 & 2021 COVID-19 response in both New Zealand and Australia. The impact of shut-downs and other social and economic disruption to the Meridian Group is deemed to be immaterial. As the Meridian Group insurer, the financial impact of COVID-19 on MECIL is also deemed to be immaterial.

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: A) Financial performance

For the year ended 30 June 2021

A1 Income

		2021 \$'000	2020 \$'000
Operating revenue	Note		
Revenue		6,170	4,361
Other revenue - commissions	A3	325	230
		6,495	4,591

Revenue Recognition

Operating revenue for this entity is derived from providing insurance services to other Group entities with commissions being received in lieu of administrative tasks performed on behalf of the reinsurer. Both revenue and commission are recognised over the period of the insurance coverage in accordance with the expected pattern of the incidence of risk which is deemed to be straight-lined.

		2021 \$'000	2020 \$'000
Interest income			
Interest income on Financial Assets:			
Call deposits		37	77
		37	77

A2 Expenses

		2021 \$'000	2020 \$'000
Operating expenses			
Audit fees		16	12
Foreign Exchange loss/(gain)		(2)	-
Re-insurance premium expense		6,170	4,361
Solvency Opinion fees		10	10
		6,194	4,383

Expense Recognition

Reinsurance premium expense is recognised over the period of the indemnity for the reinsurance.

Audit fees and solvency opinion fees are paid to Deloitte Limited. Audit fees are for the audit of the financial statements, and the solvency opinion fee is for the audit of the solvency return.

A3 Underwriting Result

		2021 \$'000	2020 \$'000
Premium income			
Insurance premiums received		5,787	2,536
Movement in unearned premiums		383	1,825
Insurance premium income		6,170	4,361
Re-insurance expenses			
Insurance premiums expenses		5,787	2,536
Movement in unearned premiums		383	1,825
Re-insurance premium expense		6,170	4,361
Underwriting result			
Commissions earned		325	230
Total underwriting surplus		325	230

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: A) Financial performance

For the year ended 30 June 2021

A4 Taxation

	2021	2020
	\$'000	\$'000
Income tax expense		
Current income tax charge	95	80
Adjustments to tax of prior years	-	-
Total current tax expense	95	80
Total income tax	95	80
<i>Reconciliation to profit before tax</i>		
Profit before tax	338	285
Income tax at applicable rates (28%)	95	80
Income tax under/(over) provided in prior year	-	-
Income tax expense	95	80

Income tax expense

Income tax expense represents the sum of the tax currently payable. It includes both the current year liability and the income tax effects of temporary differences after allowing for non-assessable income and non-deductible expenses. The Company does not have any temporary differences therefore there is no deferred tax that has been recognised.

Notes to the Financial Statements: B) Managing funding

For the year ended 30 June 2021

B1 Share capital

	2021		2020	
	Shares	\$'000	Shares	\$'000
Share capital				
Shares issued	2,000,100	2,500	2,000,100	2,500
Share capital	2,000,100	2,500	2,000,100	2,500

Share capital

The share capital is represented by 2,000,100 ordinary shares (2020: 2,000,100). Two million shares are issued at \$1 per share and one hundred shares are issued at \$5,000 per share. These shares are held by Meridian Energy Limited. All shares are fully paid and have equal voting rights. All shares participate equally in any dividend distribution or any surplus on the winding up of the Company.

B2 Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Cash and cash equivalents		
Current account	7,297	6,406
Call Deposit	4,070	4,060
Term Deposit	1,128	1,101
	12,495	11,567

The call deposit is held with ANZ and attracts interest at 0.25% p.a as at 30 June 2021 (2020: ANZ 0.25% p.a.)

The Term deposit is held with BNZ and attracts interest at 1.2% p.a. as at 30 June 2021 (2020: BNZ 2.40% p.a.).

Cash and Cash Equivalents

Cash and cash equivalents used in the Cash Flow comprise cash on hand, demand deposits and term deposits and these are held at fair value.

	2021	2020
	\$'000	\$'000
Reconciliation of NPAT to cash flows from operating activities		
Net profit after tax	243	205
<i>Changes in working capital items:</i>		
(Increase) in deferred re-insurance premium	(361)	(1,734)
Decrease in interest receivable	2	1
Increase in re-insurance premiums payable	419	1,844
Decrease in intercompany receivable	225	45
Increase/(Decrease) in sundry payables	2	(4)
Increase in unearned premium	363	1,732
Increase in unearned ceding commission	20	93
Increase/(Decrease) in tax payable	15	(1)
	685	1,976
Cash flow from operating activities	928	2,181

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: B) Managing funding

For the year ended 30 June 2021

B3 Re-insurance assets and insurance liabilities

Reconciliation of movements in re-insurance assets and insurance liabilities	2021 \$'000	2020 \$'000
<i>Provision for claims receivable:</i>		
Opening balance 1 July	-	-
Claims provision recognised	-	-
Claims settled	-	-
Closing balance 30 June	-	-
<i>Re-insurance premiums payable:</i>		
Opening balance 1 July	5,881	4,037
Premiums paid to re-insurers	(5,881)	(4,037)
Premiums invoiced by re-insurers	6,300	5,881
Closing balance 30 June	6,300	5,881
<i>Provision for claims payable:</i>		
Opening balance 1 July	-	-
Claims payable recognised	-	-
Claims settled	-	-
Closing balance 30 June	-	-

Insurance claims and outstanding claims liability

Outstanding claims liabilities are shown in the statement of financial position as provision for claims payable. These are recognised when loss events have occurred and are based on the estimated ultimate costs of all claims incurred but not settled at balance date. An estimate is made of the present value of claims incurred but not paid. Claims are normally settled within one year, therefore the effect of discounting for the time value of money is not material.

Changes in expected claims that have occurred but which have not been settled are reflected by adjusting the liability. The liability is derecognised when the claim is discharged or withdrawn. Any insurance claims are made with re-insurance companies and proceeds of these claims are passed directly through to the claimant, i.e. Meridian Energy Limited and its subsidiaries, and are reflected in the profit and loss as re-insurance revenue and claims expense. Where insurance claim proceeds have been received, but not yet passed on to the claimant, these will be included in the balance sheet under provision for claims receivable/payable.

Re-insurance recoveries

Outstanding re-insurance recoveries assets are shown in the balance sheet as a provision for claims receivable. These are recognised when loss events have occurred and are based on the estimated ultimate proceeds of all claims not settled at balance date. An estimate is made of the present value of claims reported but not received. Claims are normally settled within one year, therefore the effect of discounting for the time value of money is not material.

Changes in expected claims receivable that have occurred but which have not been settled are reflected by adjusting the assets. The asset is derecognised when the claim is discharged or withdrawn. Any insurance claims are made with re-insurance companies and proceeds of these claims are passed directly through to the claimant, i.e. Meridian Energy Limited and its subsidiaries, and are reflected in the profit and loss as re-insurance revenue and claims expense.

Re-insurance premiums payable

MECIL as the Meridian Energy Group insurer is subsequently reinsured by Marsh Limited. Marsh invoices MECIL directly and payment is made in July of each year. As at 30 June 2021, the balance payable to Marsh was \$6.3m and this is disclosed as a separate line item on the face of the balance sheet.

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: C) Financial instruments used to manage risk

For the year ended 30 June 2021

In this section

This section explains the financial risks MECIL faces, how these risks affect MECIL's financial position and performance and how MECIL manages these risks. In this section of the notes there is information:

a) Outlining MECIL's approach to financial risk management.

C1 Financial risk management

Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company's capital includes share capital and retained earnings.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On 25 June 2013, the Reserve Bank of New Zealand issued Meridian Energy Captive Insurance Limited (MECIL) a licence to carry on insurance business in New Zealand, under section 19 of the Insurance (Prudential Supervision) Act 2010. General conditions were applied to the licence, including the requirement to maintain a positive solvency margin and the requirement that the actual solvency capital be at least \$1 million. As a result the parent contributed a further \$2 million of capital in June 2013. The licence was reissued by the Reserve Bank effective as at 30 June 2015 with no change to the solvency margin requirements.

Michael Playford, FNZSA, FIAA of PricewaterhouseCoopers acts as the actuary for the Company and has reviewed the actuarial information including the unearned premium liability, outstanding claims liability and deferred reinsurance premium. There are no assumptions made in setting the claims liability, and the amount is based on the final claim discharge document and an offsetting reinsurance recovery asset is held, making the net provision zero. Because the net liability is zero, there is no need for a risk margin, discounting or claims handling costs. In the opinion of the actuary, the actuarial information contained in the financial statements has been appropriately included and used in the preparation of the financial statements. The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. The Company has been in compliance with its solvency requirements throughout the period. The latest solvency return, completed as at 30 June 2021, reported the following solvency calculations:

	2021	2020
	\$'000	\$'000
Actual solvency capital	5,783	5,540
Minimum solvency capital	1,000	1,000
Solvency margin	4,783	4,540
Solvency ratio (percent)	578%	554%

Financial risk management

The Company's activities expose it to a variety of financial risks: liquidity risk, interest rate risk, foreign exchange risk and credit risk.

Management of key financial risks

Liquidity risk

The Company maintains sufficient cash, is equity funded as required by the Parent, and trade and other payables are settled on a monthly basis as part of liquidity risk management.

Market risk

- Interest rate risk

MECIL's primary interest rate risk is with cash and cash equivalents, where the Company is subject to market movements in interest rates.

MECIL's fixed rate deposits are subject to interest rate risk in that interest rates can fluctuate during the term of the deposit. As at 30 June 2021, MECIL held \$1.1m on term deposit at an interest rate of 1.2% (2020: \$1.1m at 2.4%). The impact of a 50 basis point increase/decrease in interest rates on interest revenue would be \$0.006m/- \$0.006m (2020: \$0.006m/- \$0.006m).

MECIL also holds Current and Call account deposits which are subject to floating interest rate risk. As at 30 June 2021, MECIL held \$10.8m in Westpac and ANZ accounts which attracts interest at a rate of 0.25% (the Westpac Australia account does not attract interest). The impact of a 50 basis point increase/decrease in interest rates on interest revenue would be \$0.054m/- \$0.027m (2020: \$0.050m/- \$0.025m).

- Foreign exchange risk

Risk management for any currency risk is carried out by Meridian Energy Limited's Treasury department under policies approved by its Board.

At 30 June 2021 the Company had NZ\$575,122 of assets denominated in foreign currencies, all of which were Australian Dollar ("AUD") cash and cash equivalents (2020: NZ \$455,398). The impact of increases / decreases in the AUD is not considered to have a material effect on profit or loss of the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to an insurance transaction fails to meet its contractual obligations, and arises principally from the Company's premium receivables from related parties and from claims provision recoveries under re-insurance contracts.

Insurance contracts are only entered into with related parties. Refer to C3 for further discussion of insurance risk.

The Company believes that no impairment allowance is necessary in respect of premiums receivable as no amounts are past due and all receivables are due from related parties. The Company does not hold collateral or security in relation to credit risk.

The Company limits its exposure to re-insurance credit risk by entering into re-insurance contracts only with counterparties that have good financial strength. Re-insurers must be rated BBB (Standard & Poor's) or A- (AM Best) or greater and must have the equivalent of US\$25 million in unencumbered policyholders surplus. Given this high credit rating requirement, management does not expect the counterparties to fail to meet their obligations.

Credit risk also arises from the Company's holdings in cash and cash equivalents. Management mitigate this risk by only using banks and financial institutions that are independently rated with a minimum rating of 'A' (Standard & Poor's).



Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: C) Financial instruments used to manage risk

For the year ended 30 June 2021

C2 Fair value of financial instruments

The carrying values of financial assets and financial liabilities disclosed on the face of the balance sheet approximates their fair values, and are due within one year. There are no assets or liabilities due beyond one year.

	Categories of financial instruments		
	Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
As at 30 June 2021			
Assets			
Cash and cash equivalents	12,495	-	12,495
Interest receivable	2	-	2
Total financial assets	12,497	-	12,497
Liabilities			
Re-insurance premiums payable	-	6,300	6,300
Sundry Payables	-	19	19
Intercompany Payable	-	12	12
Total financial liabilities	-	6,331	6,331
As at 30 June 2020			
Assets			
Cash and cash equivalents	11,567	-	11,567
Interest receivable	4	-	4
Intercompany Receivable	213	-	213
Total financial assets	11,784	-	11,784
Liabilities			
Re-insurance premiums payable	-	5,881	5,881
Sundry Payables	-	17	17
Total financial liabilities	-	5,898	5,898

Financial Assets

Financial assets are classified at amortised cost, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets are recognised initially at fair value, net of transaction costs. Financial assets are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the financial assets using the effective interest rate method.

Financial Liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the financial liabilities using the effective interest rate method.

The Company recognises a loss allowance for expected credit losses ('ECL') on financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: C) Financial instruments used to manage risk

For the year ended 30 June 2021

C3 Insurance Contracts - Risk Management Policies and Procedures

The financial condition and operation of the company is affected by a number of key risks including insurance risk, market risk, compliance risk and operational risk. The Company's policies and procedures in respect of managing 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 financial capital loss.

The Board of the company have developed, implemented and maintained policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the company. Annually, the Board reviews these strategies.

Key aspects of the processes established to mitigate risks include:

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Re-insurance is used to limit the Company's exposure to large single claims and catastrophes.
- The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claim payments.
- The mix of assets in which the Company invests is driven by the nature and term of insurance. The diversification of business over separate geographical segments seeks to reduce variability in loss experience.

Insurance and re-insurance contracts are entered into annually. At the time of entering into the contract, all terms and conditions are negotiable or, in the case of renewals, renegotiable.

Insurance Risk

As the Company is a captive insurer, the risk profile of the insured business is very specific to the nature of the insured business' property assets. There are only five policy holders, the portfolio is not very well diversified and has some geographic concentration.

Insurance exposures are managed by the Company through:

- Implementation of a re-insurance programme that limits the Company's insurance exposures. This re-insurance programme is reviewed annually by the Board.
- The ability to review insurance contracts in place and in particular adjust premium rates.
- The Company's business is structured so that it does not pay claims to insurance contract parties until claim proceeds are received from a reinsurer. If a re-insurer is unable to meet its obligations then the Company will fail to provide the agreed cover to insurance contract parties, being all related parties, causing those parties to suffer loss. Refer to note C1 for details of mitigation of re-insurer credit risk.

MECIL has implemented a solvency policy that targets Solvency Margin of \$3m. The solvency target is set to ensure that MECIL remains technically solvent in the event of a \$75m claim. MECIL and Meridian have a solvency support agreement such that in the event of a claim of more than \$50m and less than \$200m, Meridian will provide up to \$6m of additional funds to ensure MECIL remains solvent. MECIL will notify the RBNZ in the event of a claim of more than \$200m. MECIL's management are aware of the need to keep the appointed actuary informed in the event of a large claim or any other major adverse movement in the financial situation.

Reinsurance

Since the Company does not take or retain any risk, the insurance cover offered by the company is mirrored in the reinsurance market and there are no unexpected catastrophe risks or adverse claim numbers that would impact the company. As noted above, the Company runs a credit risk with respect to the insurers; this risk is mitigated by choosing re-insurers with good financial strength – refer to note C1 for details.

Meridian Energy Captive Insurance Limited

Notes to the Financial Statements: D) Other

For the year ended 30 June 2021

D1 Related parties

During the financial period, the Company provided insurance to its parent company, Meridian Energy Limited, and its subsidiaries.

The Company received payment for insurance premiums from Meridian Energy Limited of \$5.993 million (2020: \$5.663 million). The balance outstanding at 30 June 2021 was Nil (2020: Nil).

The Company received payment for insurance premiums from the following entities, all of which are subsidiaries of Meridian Energy Limited. The balance outstanding at 30 June 2021 was Nil (2020: Nil).

	2021 \$'000	2020 \$'000
Related party transactions		
Mt Millar Wind Farm Pty Limited	106	86
Mt Mercer Wind Farm Pty Limited	206	169
Powershop Australia Pty Limited	19	14
GSP Pty Limited	232	185
	563	454

	2021 \$'000	2020 \$'000
Related party receivables		
Meridian Energy Limited	-	213
	-	213

	2021 \$'000	2020 \$'000
Provision for Income Tax		
Meridian Energy Limited - Income Tax	95	80
	95	80

	2021 \$'000	2020 \$'000
Related party payables		
Meridian Energy Limited	12	-
	12	-

The Company did not pay any insurance claims to Meridian Energy Limited or its subsidiaries during the year (2020: Nil).

All related party balances are interest free and unsecured.

Key Management Personnel

The key management personnel are the directors of the Company and are employees of and remunerated by the Parent. Indemnity insurance is paid on their behalf by the Parent.

D2 Credit Rating

The Company does not have, has not sought and is not required to have a credit rating.

D3 Commitments

There are no capital commitments at 30 June 2021 (2020: Nil).

D4 Contingent assets and liabilities

There were no contingent assets or liabilities at 30 June 2021 (2020: Nil).

D5 Subsequent events

On 18 August 2021, New Zealand moved to COVID-19 alert level 4. On 08 September 2021, Auckland, New Zealand remained in alert level 4 with the rest of the country moving to alert level 2. The impact of entering the alert levels and the flow-on social and economic disruption to the Meridian Group is deemed to be immaterial. As the Meridian Group insurer, the financial impact of the movement to these alert levels is also deemed to be immaterial.

D6 Changes in financial reporting standards

In the current year, the Company has adopted all mandatory new and amended Standards. The application of these new and amended Standards has had no material impact on the amounts recognised or disclosed in the financial statements.

There have been a number of standards that have been issued but are not yet effective for application. The Company has not elected to early adopt any of these standards.

NZ IFRS 17 Insurance Contracts (effective 1 January 2023). NZ IFRS 17 will be effective in MECIL's 2024 financial year. This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of NZ IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Company has not yet completed its assessment on the impact of this standard.

Independent Auditor's Report

To the Shareholder of Meridian Energy Captive Insurance Limited

Auditor-General	<p>The Auditor-General is the auditor of Meridian Energy Captive Insurance Limited (the 'Company'). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Company on his behalf.</p>
Opinion	<p>We have audited the financial statements of Meridian Energy Captive Insurance Limited (the 'Company') on pages 5 to 15, which comprise the balance sheet as at 30 June 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and its financial performance and 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').</p>
Basis for opinion	<p>We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the <i>Auditor's responsibilities for the audit of the financial statements</i> section of our report. We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i> issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>In addition to the audit we have carried out an engagement on the Company's annual solvency return to the Reserve Bank of New Zealand, which is compatible with those independence requirements. Other than the audit and the other assurance engagement on the solvency return, we have no relationship or interests with the Company or any of its subsidiaries.</p>
Key audit matters	<p>We have determined that there are no key audit matters to communicate in our report.</p>
Other information	<p>The Directors are responsible on behalf of the Company for the other information. The other information comprises the information included on pages 1 to 4, and does not include the financial statements and our auditor's report thereon.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.</p> <p>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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.</p>
Directors' Responsibilities for the financial statements	<p>The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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.</p> <p>In preparing the financial statements, the Directors are responsible on behalf of the Company 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.</p> <p>The Director's responsibilities arise from the Financial Markets Conduct Act 2013.</p>
Auditor's Responsibilities for the audit of the financial statements	<p>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.</p> <p>Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in</p>

the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibility arises from the Public Audit Act 2001.

Mike Hoshek
for Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand
30 September 2021



The Board of Directors
Meridian Energy Captive Insurance Limited
Level 1, 55 Lady Elizabeth Lane
PO Box 6011
Wellington

30 September 2021

Appointed actuary's review of actuarial information for Meridian Energy Captive Insurance Limited

To the Directors of Meridian Energy Captive Insurance Limited

This letter has been prepared for Meridian Energy Captive Insurance Limited (MECIL) to meet the requirements of Section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act) in respect of Section 77 of the Act which requires that each licensed insurer must ensure that the actuarial information contained in, or used in preparation of, the financial statements of the insurer is reviewed by the appointed actuary.

For the purpose of this review, actuarial information includes:

- Information relating to an insurer's calculations of premiums, claims, reserves, dividends, insurance and annuity rates, and technical provisions; and
- Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur; and
- Information specified in an applicable solvency standard as being actuarial information for the purposes of section 77 of the Act.

I have reviewed the following actuarial information included in the audited accounts for MECIL as at 30 June 2021:

- premium liability
- net outstanding claims liability
- reinsurance recovery asset
- deferred reinsurance premium asset

I have been provided with all the information and explanations that I have required to complete my review.

I am the Appointed Actuary to MECIL and am an Executive Director of PricewaterhouseCoopers Consulting (New Zealand) LP. I am independent of MECIL.

In my opinion:



- the actuarial information contained in the financial statements has been appropriately included in those statements; and
- the actuarial information used in the preparation of the financial statements has been used appropriately; and
- MECIL is maintaining a solvency margin as required under the Solvency Standard for Non-Life Insurance Business issued by the Reserve Bank of New Zealand.

Reliances and limitations

This letter has been prepared for MECIL and is provided in accordance with the terms set out in our statement of work dated March 2021.

No distribution of this letter to third parties, other than as required by law is permitted by us. There may be requests for our report to be copied to third parties. We will be happy to consider these requests, as and when they arise.

Our responsibilities and liabilities are limited to MECIL and exist only in the context of their use of our letter. No liability or responsibility will be accepted by us in relation to the use of our report for any other purpose. We will not accept any liability or responsibility to any third party recipients.

We have relied on information provided to us in the course of carrying out our work. We perform some data validation checks but we have not verified all of the information provided to us, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the total reliability, accuracy or completeness of the information provided to us and upon which we have relied. We have no reason to believe that the information provided to us is inaccurate or misleading.

This letter must be read in its entirety. Individual sections of this letter could be misleading if considered in isolation from each other. If distributed, this letter must be distributed in its entirety.

This letter is not considered an actuarial report, as per Professional Standard No. 90 *General Actuarial Practice (PS90)* issued by the New Zealand Society of Actuaries.

Yours sincerely

for PricewaterhouseCoopers Consulting (New Zealand) LP

A handwritten signature in black ink that reads 'Michael Playford'.

Michael Playford, FNZSA, FIAA
Executive Director