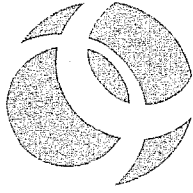




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Partners Life Limited

Annual Report and Financial Statements

for the period ended 31 March 2011

NPC# 27

23 SEP 2011

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Approval of Annual Report

The Directors are pleased to present the annual report, including the financial statements of Partners Life Limited (the Company) for the period ended 31 March 2011.

The Shareholder of the Company has exercised its right under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Board of Directors



B H Klap
Chairman of Directors
9 August 2011



R A Coon
Director
9 August 2011

Company Directory

As at 31 March 2011

Nature of Business	The provision and administration of life insurance and related products, including trauma insurance, disability insurance, total and permanent disability insurance and major medical insurance.
Registered Office	6 - 10 The Strand Takapuna AUCKLAND 0740
Company Number	3072505
IRD Number	105-332-366
Directors	N E Ballantyne C L Coon R A Coon B H Klap (Chairman) J M G Perry (appointed 20 May 2011) P Prescott (resigned 4 May 2011)
Auditors	KPMG 18 Viaduct Harbour Avenue AUCKLAND
Bankers	Westpac Banking Corporation
Solicitors	Hesketh Henry 41 Shortland Street AUCKLAND

Statement of Comprehensive Income

For the period ended 31 March 2011

	Note	\$
INCOME		
Premium revenue	5	2,809
Other revenue	6	<u>11,221</u>
TOTAL INCOME		14,030
EXPENSES		
Operating expenses	7	1,187,335
Movement in policy liabilities	16	<u>-</u>
TOTAL EXPENSES		1,187,335
DEFICIT BEFORE INCOME TAX		(1,173,305)
Income tax expense	8	<u>-</u>
DEFICIT AFTER INCOME TAX		<u>(1,173,305)</u>

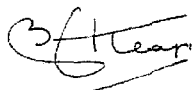
The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 March 2011

	Note	\$
Assets		
Cash and cash equivalents	9	389,140
Trade and other receivables	10	496,259
Investments	11	543,191
Loans and receivables	12	225,000
Property, plant and equipment	13	70,369
Intangible assets	14	<u>833,742</u>
Total Assets		<u>2,557,701</u>
Liabilities		
Trade and other payables	15	531,006
Insurance contract liabilities	16	<u>-</u>
Total Liabilities		<u>531,006</u>
Net Assets		<u>2,026,695</u>
Equity		
Share capital	17	3,200,000
Retained earnings	18	<u>(1,173,305)</u>
Total Equity		<u>2,026,695</u>

For and on behalf of the Board who authorised the issue of this report on 9 August 2011



B H Klap
Chairman of Directors



R A Coon
Director

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the period ended 31 March 2011

	\$
At beginning of period	-
Deficit after income tax for the period	<u>(1,173,305)</u>
Total comprehensive income for the period	(1,173,305)
Transactions with owners in their capacity as owners:	
Shares issued	<u>3,200,000</u>
At 31 March 2011	<u>2,026,695</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the period ended 31 March 2011

	Note	\$
Cash flows from operating activities		
Cash was provided from:		
Premium receipts		3,025
Interest receipts		<u>7,731</u>
		10,756
Cash was disbursed to:		
Payments to suppliers and employees		(1,364,770)
Payment of taxes		<u>(5,363)</u>
		(1,370,133)
Net cash flows from operating activities	22	(1,359,377)
Cash flows from investing activities		
Cash was disbursed to:		
Purchase of financial assets		(543,235)
Loan to Unique Solutions and Advice Limited	12	(225,000)
Purchase of property, plant and equipment		(58,652)
Purchase of computer software		<u>(624,596)</u>
Net cash flows from investing activities		(1,451,483)
Cash flows from financing activities		
Cash was provided from:		
Issue of shares		<u>3,200,000</u>
Net cash flows from financing activities		3,200,000
Net increase in cash and cash equivalents		389,140
Cash and cash equivalents at the beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period	9	<u><u>389,140</u></u>
Being:		
Cash at bank		339,140
Short term deposits		<u>50,000</u>
		<u><u>389,140</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the period ended 31 March 2011

1 Summary of Significant Accounting Policies

Reporting Entity

Partners Life Limited (the "Company") is a company domiciled in New Zealand and registered under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The Company was incorporated on 23 August 2010. Since incorporation the Company has been preparing to write business as a life insurer.

At balance date the Company was yet to launch to the general public, which took place in April 2011. Prior to balance date only a small number of policies had been issued to staff and close business associates.

The financial statements comprise statements of: comprehensive income; financial position; changes in equity; cash flows; as well as notes to these statements.

The Company operates in the life insurance industry in New Zealand.

The financial report was authorised for issue by the Directors on 9 August 2011.

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with New Zealand generally accepted accounting practice, the Companies Act 1993, the Financial Reporting Act 1993, and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

These financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and with International Financial Reporting Standards ("IFRS").

New accounting standards and interpretations

The following are standards and interpretations that have recently been issued or amended but are not yet effective, however these will be applicable to the Company once effective. These are outlined in the table below.

Summary of Requirements	Standard, Amendment or Interpretation	Effective Date*
The revised NZ IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities	<i>NZ IAS 24 Related Party Disclosures (revised 2009)</i>	1 January 2011
The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for: <ul style="list-style-type: none"> - financial assets that are not derecognised in their entirety; and - financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. 	<i>Disclosures - Transfers of Financial Assets (Amendments to NZ IFRS 7)</i>	1 July 2011
Standard issued November 2009 (NZ IFRS 9 (2009)) NZ IFRS 9 (2009) is the first standard issued as part of a wider project to replace NZ IAS 39. NZ IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in NZ IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.	<i>NZ IFRS 9 Financial Instruments</i>	1 January 2012

* The effective date is for annual periods beginning on or after the stated date.

1 Summary of Significant Accounting Policies (continued)

New accounting standards and interpretations (continued)

Summary of Requirements	Standard, Amendment or Interpretation	Effective Date*
<p>Standard issued October 2010 (NZ IFRS 9 (2010))</p> <p>NZ IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.</p> <p>It also includes those paragraphs of NZ IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of NZ IFRIC 9 <i>Reassessment of Embedded Derivatives</i>.</p>	<p><i>NZ IFRS 9 Financial Instruments</i></p>	<p>1 January 2012</p>

* The effective date is for annual periods beginning on or after the stated date.

Basis of preparation

The financial statements are prepared on a historical cost basis, except for certain assets and liabilities which are stated at their fair value, being Cash and Cash Equivalents and New Zealand Government Stock, or cost less any impairment. Policyholder assets and liabilities associated with the insurance business are stated at actuarially assessed values, refer note 11).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar (\$) unless otherwise stated.

Comparative information

As these are the first financial statements of the Company there is no comparative information.

1 Summary of Significant Accounting Policies (continued)

Specific Accounting Policies

a) Foreign Currency

(i) Functional and presentation currency

Both the functional and presentation currency of the Company is New Zealand dollars.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rate ruling at the dates the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

b) Financial Assets and Liabilities

Financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit and loss, held to maturity investments, loans and receivables or available-for-sale financial assets. When financial assets are recognised initially they are measured at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

(i) Financial assets at fair value through profit or loss:

Financial assets classified as held for trading or backing policy liabilities are included in the category "financial assets at fair value through profit and loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading or backing policy liabilities are recognised in profit or loss. Financial assets backing policy liabilities are designated as fair value through profit and loss to eliminate any accounting mismatch as the policyholder liabilities are at fair value. Debt and equity securities and cash and cash equivalents are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset.

(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. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(iii) Cash and cash equivalents:

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are financial instruments designated at fair value through profit and loss.

(iv) Trade and other receivables:

Prepaid expenses are expenses paid in advance of the period to which they relate and expenses paid for which the benefit arising will be recognised in a future accounting period.

Amounts due from policyholders, reinsurers and other receivables are classified as Trade and Other Receivables in the Statement of Financial Position and are initially recognised at fair value, being the amount receivable.

Subsequent measurement is based on amortised cost and reduced for impairment as appropriate. Any impairment charge is recognised in the Statement of Comprehensive Income.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts receivable according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows. Expected future receivables are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash inflows.

(v) Trade and other payables:

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of Significant Accounting Policies (continued)

c) Property, Plant and Equipment

Property, Plant and Equipment is recognised at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided for using a straight-line method to write-down the cost of each asset to their expected residual value over their estimated useful lives as follows:

- Computer Equipment	Three years
- Office Furniture	Five years
- Office Equipment	Five years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

d) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific assets or assets and the arrangement conveys a right to use that asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Comprehensive Income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as a expense on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

e) Intangibles

Computer Software is initially recognised at cost.

Computer Software is amortised to the Statement of Comprehensive Income over the period which benefits are expected to be derived which is assessed to be 3 to 5 years. It is recognised at cost less accumulated depreciation and any accumulated impairment losses. Its useful life is finite and the amortisation rate is 33% per year.

f) Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid for salaries, holiday pay or short-term cash bonus schemes if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

g) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The value reported in the Statement of Financial Position represents the net position of the Company.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

1 Summary of Significant Accounting Policies (continued)

A change in the company tax rate from 30% to 28% was enacted on 27 May 2010 with application from the 2011/2012 income year. For the Company this means that the income tax rate will change to 28% for the financial year beginning on 1 April 2011. As a result of the rate change, all deferred tax balances expected to crystallise after 1 April 2011 have been calculated on a tax rate of 28%.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST.

Where the Company is unable to recover the full amount of GST incurred on the purchase of an asset or an expense incurred the amount of GST unable to be recovered is expensed in the Statement of Comprehensive Income.

Trade and other payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the cash flow statement on a gross basis. Commitments are disclosed inclusive of the amount of GST recoverable.

(ii) Taxation of life insurers

New legislation came into effect on 1 July 2010 that changed the tax treatment for Life Insurance policies. Under the new rules, income and expenditure on Life Insurance policies (eg premiums, reinsurance premiums, claims and reinsurance recoveries) now form part of the assessable income of the Company.

The value of current tax payable or current income tax benefit is shown separately within receivables or other liabilities. The present value of the future tax benefit or provision for deferred tax on temporary differences arising in policy liabilities are calculated at applicable future tax rates enacted at balance date and are separately disclosed as part of deferred tax when a deferred tax asset or liability is recognised.

h) Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand, current accounts with banks and term deposits of less than six months maturity with banks.

The following are definitions of the terms used in the Statement of Cash Flows:

- 1) Operating activities include all transactions and other events that are not investing or financing activities.
- 2) Investing activities are those activities relating to the acquisition and disposal of property, plant and equipment, intangible assets and investments.
- 3) Financing activities are those activities that result in changes in the size and composition of the capital structure, including debt.

i) Life Insurance Business

(i) Principles underlying conduct of Life Insurance business

The life insurance operations consist of insurance contract business only.

Insurance contract business relates to a transfer of significant insurance risks from the policyholder to the insurer in order to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The compensation, referred to as insured benefits, is payable on death, or on the occurrence of injury, disability or certain illnesses, and the financial risk of the occurrence of the event which crystallises the payment of the insured benefit is borne by the Company.

(ii) Life insurance revenue and expenses

Recognition of Income

Premium Income:

All premiums for insurance contract business are recognised as revenue as these are earned by the Company bearing risks and providing services.

Premiums with a regular due date are recognised when the premium becomes due and payable, usually on a monthly basis. The unearned portion of regular premiums payable six-monthly or annually is deferred and recognised in the statement of financial position.

Commission Income:

Commission Income is recognised as revenue in the Statement of Comprehensive Income when earned. This is usually on the completion of a significant event, being the issuance of an insurance policy.

Investment Income:

Investment Income is recognised in the Statement of Comprehensive Income as it accrues.

Investment Income also includes realised and unrealised changes in the net market value of investments designated at fair value through profit or loss.

1 Summary of Significant Accounting Policies (continued)

Expenses

Claims:

Claims incurred that relate to the provision of services and bearing risks are treated as expenses and are recognised in the Statement of Comprehensive Income.

Death and all other claims are recognised when the liability to the policyholder under the policy contract has been established.

Commission and Management Expenses:

Commission and management expenses incorporate all other expenditure involved in the running of the Company's business, including costs of issuing new business, salaries and related costs and other management expenses.

For the purposes of determining policy liabilities life insurance expenses are categorised into acquisition, maintenance or investment management expenses based on a detailed functional analysis.

Acquisition expenses are the fixed and variable expenses of acquiring new business including commissions and similar distribution costs and expenses related to accepting, issuing and initially recording policies. They do not include general growth and development costs incurred by the Company.

Under the Margin on Services ("MoS") method of recognising profits, where overall product profitability of new business written during the period is expected to support the recovery of acquisition expenses incurred in that period these expenses are effectively deferred as an element of policy liabilities and amortised over the life of the policies written. Unamortised acquisition expenses are a component of the MoS policy liability. Acquisition expenses are recognised in the Statement of Comprehensive Income as a component of "movement in policy liability" at the same time as profit margins are released.

Acquisition expenses are allowed for when determining expected profit margins by setting standard expense allowances. Actual acquisition expenses in any one period may vary from standard for a number of reasons including new business volumes, distribution mix, cost efficiency and new strategic initiatives.

As a result of the variances, acquisition expenses may, in total, be lesser or greater than standard expense allowances. In both cases the acquisition component of the policy liability is determined as the actual expenses incurred in the period so that neither a profit or loss arises on acquisition, subject to the overriding constraint that the present value of future profit margins of new business written in the period is not negative.

Maintenance expenses are the fixed and variable expenses of administering policies subsequent to sale and the fixed and variable operating expenses of maintaining the Company's operations such that they are sufficient to service in force policies. These include general growth and development expenses. Maintenance expenses include all operating expenses other than acquisition expenses.

Maintenance expenses are recognised in the Statement of Comprehensive Income in the period to which they relate.

The Company does not incur investment management expenses as it does not write investment business or have any outsourced funds management.

Reinsurance

As the reinsurance agreements result in significant transfer of risk between the Company and its reinsurers, reinsurance income and expenses are recognised separately in the Statement of Comprehensive Income when they become due and payable in accordance with the reinsurance agreements. No reinsurance transactions had been entered into at 31 March 2011.

Reinsurance premiums are recognised in the Statement of Comprehensive Income as part of reinsurance expenses when they become due and payable in accordance with the terms and conditions of the reinsurance arrangements.

Reinsurance commissions are recognised in the Statement of Comprehensive Income as part of reinsurance income when they become due and payable in accordance with the terms and conditions of the reinsurance arrangements. Reinsurance commissions are recognised net of any commissions repayable to the reinsurer as a result of policy discontinuances.

Reinsurance recoveries on claims are recognised in the Statement of Comprehensive Income as part of reinsurance income. Reinsurance recoveries are recognised at the time the claim event is notified to the Company if the underlying policy is reinsured. The amount recognised is the present value of the recoverable amount based on the claim event date.

Outstanding reinsurance recoveries are recognised under Trade and Other Receivables in the Statement of Financial Position.

Outstanding reinsurance payables are recognised under Trade and Other Creditors in the Statement of Financial Position.

(iii) Policy liability measurement

Determination of policy liabilities:

The amount of policy liabilities has been determined in accordance with methods and assumptions disclosed in this financial report and the requirements of the Life Insurance Act 1908.

Policy liabilities of Partners Life Ltd have been calculated using the MoS methodology in accordance with the New Zealand Society of Actuaries Professional Standard 3: Determination of Life Insurance Policy Liabilities, issued in December 1996 and revised in January 2007.

MoS is designed to recognise profits on life insurance as services are provided to policyholders and income is received. Profits are deferred and recognised over the life of policies, whereas losses are recognised immediately as they arise. Services used to determine profit recognition include premiums expected to be received from policyholders and the cost of expected claims.

1 Summary of Significant Accounting Policies (continued)

Policy liabilities are generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums.

Profits emerging under the MoS methodology can be categorised as follows:

1) Planned margins of revenues over expenses

At the time of writing a policy and at each balance date, best estimate assumptions are used to determine all expected future premiums and payments. Where actual experience is in line with best estimate assumptions, the expected profit margin will be released over the life of the policy.

2) The difference between actual and assumed experience

Experience profits or losses are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits or losses include variations in claims, expenses, mortality, morbidity and rates of discontinuance. For example an experience profit will emerge when actual claims in a period are less than the best estimate assumption in respect of the cost of claims for the period.

3) Changes to underlying assumptions

Assumptions used for measuring policy liabilities are reviewed each period. Where the review leads to a change in assumptions the change is deemed to have occurred from the end of the financial period and the impact of the assumption change is absorbed within the future value of profit margins, provided sufficient profit margins exist.

The calculation of policy liabilities includes the use of published investment market yields (e.g. government bond yields). The changes in these yields are not treated the same as other actuarial assumption changes as changes in investment yields impact both the policy liabilities and the asset values in the Statement of Financial Position and any changes in relative value between the two is recognised during the reporting period.

The financial effect of changes to the assumptions underlying the measurement of policy liabilities made during the reporting period are recognised in the Statement of Comprehensive Income over the future reporting periods during which services are provided to policyholders. However, if based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the whole expected loss for that related product group is recognised in the Statement of Comprehensive Income immediately. When loss making business becomes profitable previously recognised losses are reversed.

4) Investment earnings on assets in excess of policy liabilities

Profits are generated from investment assets which are in excess of those required to meet policy liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profitability will vary from period to period.

j) Offsetting of assets and liabilities

Assets and liabilities are only offset and the net amount reported in the Statement of Financial Position where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

k) Changes in accounting policies

As this is the first reporting period for the Company there have been no changes in accounting policies.

2 Critical Accounting Judgements, Estimates and Assumptions

The preparation of a financial report in conformity with New Zealand Accounting Standards (NZIFRS) requires management to make judgements, estimates and assumptions that effect 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, the results of which form the basis of the adjustments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

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

Critical accounting judgements and estimates are applied in respect of Life Insurance Business as noted below:

(i) Insurance contract liabilities

Policy liabilities for life insurance contracts are computed using statistical or mathematical methods, expected to give approximately the same results as if an individual liability was calculated for each contract. The calculations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles and standards. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. Deferred policy acquisition costs are connected with the measurement basis of the life insurance liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are:

- the cost of providing the benefits and administering these insurance contracts; and
- mortality and morbidity experience, which impacts on the profitability of the life company where actual experience differs from assumed experience; and
- rates of discontinuance, which affects the life insurance companies ability to recover the costs of acquiring new business over the lives of the contracts.

In addition factors such as regulation, competition, interest rates, taxes and general economic conditions affect the level of these liabilities.

(ii) Assets and liabilities arising from reinsurance contracts

Assets and liabilities arising from reinsurance contracts are also computed using the same methods as for insurance contract liabilities. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the life insurance company may not receive amounts due to them and these amounts can be reliably measured.

The Company has entered into a reinsurance agreement in respect of all benefits, with the exception of medical benefits and waiver of premium benefits.

The reinsurance agreement entered into provides for indemnification of the Company against loss and liability.

The Directors will satisfy themselves, based on independent actuarial advice, that sufficient policy liabilities will be set up to meet any future cash strains arising from the reinsurance arrangements.

The reinsurance arrangements are structured on a Quota Share basis. Reinsurance premiums are paid in relation to benefits reinsured and are recognised in the Statement of Comprehensive Income when incurred. The Quota Share percentage of claims paid in relation to benefits reinsured will be recoverable from the reinsurers and will be recognised in the Statement of Comprehensive Income contemporaneously with the claim payable to the policyholder.

The Company will be receive a commission from the reinsurer as policies containing reinsured benefits are issued, this commission will be recognised in the Statement of Comprehensive Income. Any profits arising on this reinsured business are shared with the Company.

3 Summary of Significant Actuarial Assumptions

The actuarial report on policy liabilities for the current reporting period was prepared at 31 March 2011.

The actuary who prepared the report was Chris Coon, BSc., FIA, FNZSA. Chris is a Fellow of the Institute of Actuaries and a Fellow of the New Zealand Society of Actuaries.

The amount of policy liabilities have been determined in accordance with Professional Standard 3: Determination of Life Insurance Policy Liabilities of the New Zealand Society of Actuaries. After making appropriate checks, the actuary was satisfied as to the accuracy of the data from which the policy liabilities have been determined.

Profit carriers

The Company only issues risk business, which has been valued using the projection method. Premiums have been used as a profit carrier to achieve a systematic release of planned margins.

Discount rate

The discount rate used to determine policy liabilities was 12% before tax.

Inflation

The inflation assumption was determined on a basis consistent with the medium to long term RBNZ inflation target of between 1% and 3%. The rate assumed was 2.5%.

Future expenses

Future maintenance expense assumptions were derived from an analysis of planned expenses for the coming year. The maintenance expense allowance assumed was \$120.00 per policy per annum. Maintenance expenses are assumed to increase at 2.5% per annum. The Company does not incur any investment management expenses.

Inflation and automatic indexation of benefits

Policies with automatic inflation linked indexation of premiums and benefits are assumed to have premium and benefit increases of 2.5% per annum.

Asset mix

Assumptions regarding asset mix are based on the target mix of assets.

Rates of taxation

Taxation is projected using tax rates that are enacted or substantially enacted at balance date.

Mortality and morbidity

Both mortality and morbidity claims have been projected by the Company's actuary based on industry experience.

Rates of discontinuance

Projected rates of discontinuance are based on the experience of the Company's actuary and current market discontinuance rates.

Surrender values and rates of growth in unit prices

Not applicable as the Company does not issue investment business.

Participating business

The Company does not issue participating business.

4 Risk Management Policies and Procedures for Insurance

The financial condition and operating results of the Company are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, insurance risk and liquidity risk. The non-financial risks are compliance risk and operational risk. The Company's objectives and policies in respect of managing these risks are set out in the remainder of this section.

(a) Risk management objectives and policies for mitigating financial and insurance risk.

The Company's objective is to satisfactorily manage risks in line with the risk management programme requirements of the Insurance (Prudential Supervision) Act 2010. A Risk Management Strategy has been put in place to identify, control and mitigate the risks faced by the Company depending on the nature of those risks. The Company's exposure to all financial and insurance risks is monitored regularly by the Board of Directors.

Financial risks are generally monitored and controlled by selecting appropriate assets to back liabilities. These assets are regularly monitored to ensure there are no material asset and liability mismatching issues and other risks, such as liquidity and credit risk, are minimised.

Insurance risks are controlled through the use of prudent underwriting procedures and reinsurance arrangements, which are monitored by the Chief Underwriter and Company Actuary. Controls are also maintained over claims management processes to ensure that all valid claims are paid in a timely and accurate manner.

(b) Strategies for managing insurance risks

The Company's strategies for managing risks arising from its insurance business are:

- The Company Actuary sets premium rates based on the expected incidence of claims, expenses associated with acquiring and maintaining the Company's insurance business, including commissions paid to independent financial advisers, and a margin to ensure an appropriate return on capital and the continuous meeting of internal and external solvency and capital requirements.
- To ensure that strong internal controls are in place in respect of the underwriting of all new insurance business received.
- To use reinsurance as a key component of its insurance risk management strategy and to regularly review these reinsurance arrangements to ensure they align with the Company's retention risk appetites and allow the Company to continuously meet solvency and capital requirements.
- To ensure that processes and procedures are in place for the continuous monitoring of the Company's insurance risks.

Solvency margin requirements are in place to reinforce safeguards for policyholders' interests, which are primarily the ability to meet future claim payments in respect of existing policies. The solvency margin measures the excess of the value of the insurers' assets over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. These solvency requirements also take into account specific risks faced by the Company.

(c) Methods to monitor and assess insurance risk exposure

In an effort to protect and enhance shareholder value the Company actively manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles and macro-economic environments. Risk exposures are managed using various analysis and valuation techniques to calculate the economic capital required to support adverse risk scenarios, along with other cash flow analyses, and prudent and diversified underwriting and investing.

The Company reports financial and operating results and exposure to insurance risks (both gross and net of reinsurance) to the Board of Directors. This information is combined with detail of the Company's reinsurance arrangements to provide a central view of the Company's performance and its gross and net exposures.

(d) Methods to limit or transfer insurance risk exposures

Reinsurance:

The Company's treaty with its reinsurers is designed to limit its exposure to insurance risk to a level appropriate with its age and capital base and provide funding to cover the costs of acquiring new insurance business in order that the Company can continue to write new business and continuously meet solvency requirements.

Underwriting procedures:

Underwriting decisions are put into effect using the underwriting procedures detailed in the Company's underwriting manual. Such procedures include limits to delegated authorities and signing powers for individual underwriters and limits over which individual cases must be referred to the Company's reinsurers for an underwriting decision. The underwriting process is monitored by the Chief Underwriter to ensure adequate controls are in place over the underwriting process and that these controls are effective.

Claims management:

Claims management procedures are in place to facilitate the timely and correct payment of all valid claims in accordance with policy conditions.

(e) Concentration of insurance risk

The Company aims to maintain a spread of age profile and mix of sexes within its portfolio of policyholders so that the Company's risk concentration in relation to any particular age group is minimal.

4 Risk Management Policies and Procedures for Insurance (continued)

(f) Terms and conditions of insurance contracts

The nature of the terms of insurance contracts written is such that certain external variables can be identified on which related cash flows for claims payments depend. The details below provide an overview of the key variables upon which the amount of related cash flows are dependent.

Type of contract:

Non-participating life insurance contracts with fixed and guaranteed terms (term life, trauma, disability and major medical).

Detail of contract workings:

Guaranteed benefits paid on death, certain critical illnesses or disability that are fixed and guaranteed and not at the discretion of the issuer. Premiums may be guaranteed for a specified term or variable at the insurer's discretion.

Nature of compensation for claims:

Benefits are defined and determined by the insurance contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole.

Key variables that affect the timing and uncertainty of future cash flows:

Mortality and morbidity experience

Rates of discontinuance

Expenses

Market interest rates on underlying assets

5 Premium Revenue

	\$
Premiums from policyholders	2,809
	<u>2,809</u>

6 Other Revenue

	\$
Arising from:	
Interest on cash and cash equivalents	50
Interest on New Zealand Government Stock	11,238
Interest on loans and receivables	2,367
Unrealised loss on New Zealand Government Stock	(2,434)
	<u>11,221</u>

7 Operating Expenses

The financial statements include all operating expenses incurred since the Company began setting up to write Life Insurance business.

	Note	\$
Operating Expenses include:		
Depreciation of property, plant and equipment	13	4,011
Amortisation of intangible assets	14	56,515
Employee remuneration:		
fees to Directors		12,500
other remuneration to Directors		404,533
staff salaries		211,628
Operating lease costs		29,870
IT Expenses		159,828
Office Accommodation		44,619
Printing and marketing		33,314
Auditor's remuneration		15,000

8 Income Tax

	\$
Deficit before taxation	(1,173,305)
Income tax benefit at statutory income tax rate of 30%	(351,992)
Decrease in income benefit tax due to:	
Non-deductible expenses	69,599
Change in tax rate (from 30% to 28%)	18,826
Income tax effect of tax losses not recognised	<u>263,567</u>
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	<u>-</u>

The Company has income tax losses available to carry forward at 31 March 2011 of \$941,309. The availability of income tax losses carried forward is subject to statutory requirements being met.

8a Imputation Credit Account

	\$
Balance at beginning of period	-
Resident withholding tax deducted from interest received	<u>5,363</u>
Balance at end of period	<u>5,363</u>

9 Cash and Cash Equivalents

	\$
Cash at bank	339,140
Short term deposits	<u>50,000</u>
	<u>389,140</u>

Cash and cash equivalents have a maturity of less than 6 months and are therefore all current.

The Company holds a separate Term Deposit with Westpac New Zealand Limited of \$50,000 as security for the aggregate credit limits on its Westpac Business Mastercard facility. This Term Deposit earns interest on standard commercial terms.

10 Trade and Other Receivables

	\$
Prepayments	487,362
Accrued investment income	3,534
Other tax	<u>5,363</u>
	<u>496,259</u>

Trade and other receivables have an expected realisation of less than 12 months and are therefore all current.

11 Investments

	\$
New Zealand Government stock	<u>543,191</u>
	<u>543,191</u>

Investments have an expected realisation of greater than 12 months and are therefore all non-current.

The total New Zealand Government stock holding is held on the Company's behalf by Public Trust as an authorised deposit under the Life Insurance Act 1908. The interest rate on the New Zealand Government stock is fixed to maturity.

12 Loans and receivables

	\$
Loan to Unique Solutions and Advice Limited	<u>225,000</u>
	<u>225,000</u>

Loans and receivables have an expected realisation of greater than 12 months and are therefore all non-current.

The Company has made an unsecured \$225,000 loan to Unique Solutions and Advice Limited (a related party). The loan is for a period of three years, interest is payable quarterly at an interest rate of 8% per annum.

On 14 April 2011 the Company extended the loan facility to Unique Solutions and Advice Limited by \$100,000, with a further extension of \$110,000 on 12 May 2011, \$100,000 on 13 June 2011, \$110,000 on 14 July 2011 and \$130,000 on 29 July 2011.

13 Property, Plant and Equipment

	\$
Computer equipment at cost	34,717
Accumulated depreciation	<u>(2,251)</u>
Book value	<u>32,466</u>
Office furniture at cost	37,908
Accumulated depreciation	<u>(1,672)</u>
Book value	<u>36,237</u>
Office equipment at cost	1,755
Accumulated depreciation	<u>(88)</u>
Book value	<u>1,667</u>
Total Property, Plant and Equipment (non-current)	<u>70,369</u>
Computer equipment	
Net book value at beginning of period	-
Additions	34,717
Depreciation charge for the period	<u>(2,251)</u>
Net book value at end of period	<u>32,466</u>
Office furniture	
Net book value at beginning of period	-
Additions	37,908
Depreciation charge for the period	<u>(1,672)</u>
Net book value at end of period	<u>36,237</u>
Office equipment	
Net book value at beginning of period	-
Additions	1,755
Depreciation charge for the period	<u>(88)</u>
Net book value at end of period	<u>1,667</u>
Total Property, Plant and Equipment (non-current)	<u>70,369</u>

14 Intangible Assets

	\$
Computer software at cost	890,256
Accumulated depreciation	<u>(56,515)</u>
Book value	<u>833,742</u>
Total Intangible Assets (non-current)	<u>833,742</u>
Computer Software	
Net book value at beginning of period	-
Additions	890,256
Depreciation charge for the period	<u>(56,515)</u>
Net book value at end of period	<u>833,742</u>
Total Intangible Assets (non-current)	<u>833,742</u>

15 Trade and Other Payables

	\$
Expense creditors and accruals	481,706
Employee entitlements	49,300
	<u>531,006</u>

Trade and other payables have an expected realisation of less than 12 months and are therefore all current.

16 Policy Liabilities

	\$
Insurance Contract Liabilities at beginning of period	-
Movement recognised in Statement of Comprehensive Income	-
	<u>-</u>
Insurance Contract Liabilities at end of period	<u>-</u>
 Policy liabilities contain the following components:	 \$
Present value of future policy benefits	29,221
Present value of future expenses	4,618
Present value of future premiums	(33,839)
	<u>-</u>

17 Share Capital

	Number	\$
Authorised, issued and fully paid up ordinary shares	3,200,000	3,200,000

All shares have equal voting rights and share equally in dividends and surplus on winding up.

	\$
Movement in Share Capital	
Balance at beginning of period	-
Shares issued during the period	3,200,000
	<u>3,200,000</u>
Balance at end of period	<u>3,200,000</u>

18 Retained Earnings

	\$
Balance at beginning of period	-
Net deficit after income tax for the period	(1,173,305)
	<u>(1,173,305)</u>
Balance at end of period	<u>(1,173,305)</u>

19 Financial Assets - Determination of fair value and fair value hierarchy

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data

Level 1 - Included in this category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arms length basis. Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

Level 2 - Included in this category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. Main asset classes included in this category are financial assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in hedge funds, private equity funds with fair values obtained via fund managers and assets that are valued using own models whereby the majority of assumptions are market observable.

Level 3 - Not based upon market observable input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Main asset classes in this category are hedge funds, private equity and limited partnerships.

The fair value of the financial assets are summarised in the table below:

Financial classification

	Level 1 Amount 31 Mar 2011	Level 2 Amount 31 Mar 2011	Level 3 Amount 31 Mar 2011	Total fair value 31 Mar 2011
<i>Financial assets at fair value through profit and loss</i>				
Cash and cash equivalents	389,140	-	-	389,140
New Zealand Government stock	543,191	-	-	543,191
	932,331	-	-	932,331

20 Financial Risk Management and Objectives

The Company's principal financial position and operating results are affected by a number of key financial and non-financial risks. Financial risk include interest rate risk, currency risk, credit risk, market risk, insurance risk and liquidity risk. Non-financial risks are compliance risk and operational risk.

The Company's objectives and policies in respect of managing these risks are set out below:

Risk Management

Risks arising from holding financial instruments are inherent in the Company's activities, and are managed through the process of ongoing identification, measurement and monitoring. The Company is exposed to market risk, interest rate risk, credit risk and liquidity risk.

Financial instruments of the Company comprise investments in financial assets for the purpose of generating a return on its investments, cash and cash equivalents, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Company is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using methods that reflect the expected impact on the results and net assets of the Company from reasonably possible changes in the relevant risk variables. These methods include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates and commodity prices. Information about the total fair value of financial instruments exposed to risk is also monitored by the Company.

This information is prepared and reported to key management personnel and ultimately the Board of Directors on a regular basis as deemed appropriate.

20 Financial Risk Management and Objectives (continued)

a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market, the main market risk of the Company is interest rate risk.

Market risk is effectively managed through the Company investing surplus assets, over and above the statutory deposit the Company is required to hold in New Zealand Government Stock, in cash and short-term deposits with registered trading banks.

The Company has no exposure to commodity and equity security prices.

b) Interest rate risk

The Company has exposure to interest rate risk to the extent it invests for a fixed term at fixed interest rates. New Zealand Government Stock and cash deposits are subject to market risk in the event of changes in interest rates.

The interest rate risk on the Company's short-term cash deposits is negligible.

Interest rate sensitivity on the Statement of Comprehensive Income is the effect of an assumed change in interest rates on:

- the interest income for one year, based on floating rate financial assets
- changes in the fair value of investments for the year, based on revaluing the fixed rate financial assets at 31 March 2011.

The following table demonstrates the sensitivity of the Company's Statement of Comprehensive Income (Profit after income tax expense) to a reasonably possible change in interest rates, with all other variables held constant:

Interest Rate Sensitivity	Cash and Cash Equivalents	Fixed Rate Interest Bearing Investments
Balance reported at 31 March 2011	389,140	543,191
Profit/(Loss) impact:		
+1% (100 basis points move in interest rates)	2,802	(7,190)
-1% (100 basis points move in interest rates)	(2,802)	7,368

c) Currency risk

Currency risk is the risk of loss to the Company arising from changes in foreign exchange rates. The Company currently has no assets or liabilities denominated in foreign currencies, so is currently not exposed to currency risk.

d) Credit risk

To the extent the Company has a receivable from another party, there is a credit risk in the event of non-performance of that counterparty. Financial instruments which potentially subject the Company to credit risk are bank deposits, loans and receivables and New Zealand Government Stock investments.

The Company manages its exposure to credit risk by placing its cash and investments with high credit quality financial institutions and sovereign bodies. The Company continuously monitors the credit quality of all institutions that are counterparties to its financial instruments and does not anticipate non-performance by any of those counterparties. The Company further minimises its credit exposure by limiting the amount of funds placed in or invested with any one institution at any one time.

The risk arises in the event that a counterparty fails to perform according to the terms and conditions of the contract. In the normal course of business the Company credit risk from debtors and financial institutions with which its financial assets are invested.

No collateral exists for any of the investments held by the Company. The maximum exposure to credit risk at balance date for each class of recognised financial asset is the carrying amount of those assets as indicated on the Statement of Financial Position. However as a large proportion of investments are in government stock and deposits with registered trading banks, losses from credit risk are not expected to occur. The Company seeks to ensure that its counterparties and investments are with reputable financial institutions and other entities.

20 Financial Risk Management and Objectives (continued)

Maximum exposures to credit risk at balance date are shown in the table below:

	\$
Cash at bank	339,140
Short term bank deposits	50,000
New Zealand Government Stock	543,191
Loans and receivables	225,000
Trade and other receivables (excluding prepaid expenses)	8,897
	<u>1,166,228</u>

Concentrations of Credit Risk:

Significant concentrations of credit risk as a percentage of the total exposure are as follows:

Institution:	Standard and Poor's Credit rating	%
New Zealand Government	AAA	46.58%
Westpac Banking Corporation	AA	33.37%
Unique Solutions and Advice Limited	Not rated	19.29%

e) Liquidity risk

The Company manages its exposure to liquidity risk by investing in predominantly short dated deposits and securities. The majority of the Company's investments are highly liquid.

Future demands for funds will be met by premiums and reinsurance commissions received and further capital to be raised from current and prospective investors in line with capital projections prepared by the Company's actuary in order that the Company continues to meet solvency requirements.

The table below summarises the maturity profile of the Company's financial liabilities at balance date:

	On demand \$	Less than 3 months \$	3 to 12 months \$	1 to 5 years \$
Financial liabilities:				
Expense creditors and accruals	-	481,706	-	-

f) Capital Management

The primary objective of the Company in the management of capital is to ensure it continuously meets the Solvency Standard for Life Insurance Business ("the Standard") released by the Reserve Bank of New Zealand on 5 August 2011 as part of the Insurance (Prudential Supervision) Act 2010.

The Board of Directors has put in place a Capital Management Policy and maintains overall responsibility for the management and monitoring of capital and the determination of the level of "buffer" capital to be held in addition to the capital requirements of the Standard.

21 Financial Instruments

Fair values

The following table sets out a comparison by category of the carrying amounts and fair values of all of the Company's financial instruments that are recognised in the financial statements.

	Carrying Amount 31 Mar 2011	Fair Value 31 Mar 2011
Financial assets:		
Cash and cash equivalents	389,140	389,140
Trade and other receivables (excluding prepaid expenses)	8,897	8,897
New Zealand Government Stock	543,191	543,191
	<u>941,228</u>	<u>941,228</u>

22 Cash Flow Reconciliation

	\$
Deficit after Income Tax	(1,173,305)
<i>Non-cash items and non-operating items:</i>	
Depreciation	4,011
Amortisation of computer software	56,515
Movement in provision for employee entitlements	49,300
Unrealised gain on New Zealand Government Stock	2,434
Movement in interest accrual on New Zealand Government Stock	(2,390)
<i>Movements in working capital:</i>	
Increase in trade and other receivables	(496,258)
Increase in trade and other payables	200,316
Net cash flows from operating activities	<u>(1,359,377)</u>

23 Subsequent Events

On 26 April 2011 the Company commenced writing business through independent financial advisers. As part of the Company's remuneration structure for advisers the Company has put in place a Shadow Share Scheme ("the scheme").

The scheme is a deferred entitlement scheme offering additional commission payments for qualifying policies sold and maintained by advisers, such additional payments are dependent on increases in the value of the shares of Partners Group Holdings Limited, the Company's parent company, as set out in the rules of the Scheme.

Shadow shares are allocated through advisers placing insurance business with the Company. Shadow share entitlements are deferred and are subject to advisers meeting qualifying criteria. Any scheme entitlements are not payable until a minimum of three years after the end of the scheme year in which the qualifying business was issued. The Company has no liability under this scheme at Balance Date.

On 4 May 2011 P Prescott's role was disestablished and she resigned as a director of the Company.

On 20 May 2011 J M G Perry was appointed as a director of the Company.

On 13 June 2011 the Company signed a Quota Share Life Reinsurance Treaty with SCOR Global Life SE covering all life, trauma, total and permanent disability and disability income insurance business written by the Company from the commencement date specified in the treaty, being 7 March 2011.

24 Commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 March 2011 are as follows:

	\$
Within one year	140,320
After one year, but not more than five years	181,100
	<u>321,420</u>

Capital commitments

The Company has commitments for the purchase of intangible assets and property, plant and equipment at 31 March 2011 of \$323,596.

25 Contingent Liabilities

The Company has included in its Adviser Business Agreement a preference to be a buyer of first resort should any of its advisers wish to sell their Partners Life Limited client base. No contingent liability exists under this provision within the Adviser Business Agreement at balance date.

The Company has no other contingent liabilities at 31 March 2011.

26 Related Parties

(a) Balances with Related Parties

Company	Counterparty	Relationship	\$ Receivable / (Payable)
Partners Life Limited	Unique Solutions and Advice Limited	A	225,000
Partners Life Limited	Unique Solutions and Advice Limited	A	(411)
Partners Life Limited	US Advisor Limited	A	(4,437)
Partners Life Limited	KNK Enterprises	A	(14,674)
Partners Life Limited	Harbour Trust	B	3,485

Relationship:

- A. Related Party to N E Ballantyne
B. Related Party to R A Coon

(b) Transactions with Related Parties

Company	Counterparty	Nature of Transactions	\$ Received / (Paid)
Partners Life Limited	Harbour Trust	Loan to purchase New Zealand Government Stock	543,234
Partners Life Limited	Harbour Trust	Net Coupon Interest Paid to Harbour Trust	(10,888)
Partners Life Limited	Harbour Trust	Repayment of loan balance	(247,734)
Partners Life Limited	Harbour Trust	Coupon Interest due from Harbour Trust	3,485
Partners Life Limited	Unique Solutions and Advice Limited	Loan advanced	(225,000)
Partners Life Limited	Unique Solutions and Advice Limited	Interest on Loan	2,367
Partners Life Limited	Unique Solutions and Advice Limited	Reimbursement of expenses and fixed asset purchases	2,475
Partners Life Limited	US Advisor Limited	Consultancy fees	20,045
Partners Life Limited	KNK Enterprises	Purchase of consumables and fixed assets	49,844
Partners Life Limited	Partners Group Holdings Limited	Issue of shares	3,200,000

(c) Terms and Conditions of Transactions with Related Parties

Transactions with related parties are conducted at arm's length, on both normal market prices and normal commercial terms.

Outstanding balances at year-end are unsecured, interest free, and settlement occurs in cash, with the exception of the loan to Unique Solutions and Advice Limited, the Terms and Conditions of which are disclosed in Note 12.



Independent Auditor's Report

To the Shareholder of Partners Life Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Partners Life Limited ("the company") on pages 4 to 27. The financial statements comprise the statement of financial position as at 31 March 2011, the statements of comprehensive income, changes in equity and cash flows for the 8 month period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. There are however certain restrictions on dealings which the partners and employees of our firm can have with the company. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.



Opinion

In our opinion the financial statements on pages 4 to 27:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the company as at 31 March 2011 and of its financial performance and cash flows for the 8 month period then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Partners Life Limited as far as appears from our examination of those records.

KPMG .

9 August 2011

Auckland