PACIFIC CATASTROPHE RISK INSURANCE COMPANY
ANNUAL REPORT
For the year ended 30 June 2018

Contents

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
DIRECTORY
For the year ended 30 June 2018

Board of Directors:

Lesley Katoa	10 June 2016
Garth Henderson	10 June 2016

Auditor:
KPMG
18 Viaduct Harbour Avenue
Auckland
New Zealand

Banker:
ANZ Banking Group Limited
Maire Nui Drive, Avarua
Rarotonga
Cook Islands

Registered Office:
Asiaciti Trust Pacific Limited
Bermuda House
Tutakimoa Road
Avarua
Rarotonga
Cook Islands

Postal Address:
Bermuda House
Tutakimoa Road

Rarotonga
Cook Islands

Shareholder:

Pacific Catastrophe Risk Insurance Foundation	One ordinary share

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
DIRECTORS' REPORT
For the year ended 30 June 2018

Results
The net profit after tax for the year ended 30 June 2018 is US $16,239,444, for the period from the date of incorporation (10 June 2016) to 30 June 2017 was US $6,159,286. The net profit after tax includes grant income in which the funds received have a restricted use requiring that when the funds are utilised they are replenished. Without access to the Grant Income the entity itself would have incurred a loss of US $2,408,383 for the year ended 30 June 2018.

Grant Income
Grant income is key to the establishment of the Company and its future sustainability and also forms a part of the wider Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). The Grant Income received is in accordance with the PCRAFI Multi-Donor Trust Fund Agreement (Grant Agreement). The Company received Grant Income from the World Bank Multi-Donor Trust Fund equal to US$ 12.3 million. The income received was for two purposes, $12 million was received to assist the company with the capital required to support the Season 6 insurance programme (Category 3 as per the Grant Agreement), and $0.3 million was received to fund the first establishment and operational expenses of the Company (Category 1 as per the Grant Agreement).

In addition to the income received from Multi-Donor Trust Fund the Company received grant income from the Department for International Development (DFID). The Grant Income received is in accordance with the Memorandum of Understanding (MOU). The Company received a total of US $6,130,075 from DFID.

Disclosures of Interests by Directors
There have been no transactions in which Directors have had an interest.

Auditor
The Auditor, KPMG New Zealand has been appointed and continues in office in accordance with Section 19 of the Captive Insurance Act 2013.

General
There has been no change in the main activities of the Company during the period.

The Directors consider the state of the Company's affairs to be satisfactory.

For and on behalf of the Board of Directors

Lesley Katoa	John Bishop
Resident Director	Director
30 November 2018	30 November 2018

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
DIRECTORS' RESPONSIBILITY STATEMENT
For the year ended 30 June 2018

The Directors are pleased to present the financial statements of Pacific Catastrophe Risk Insurance Limited for the year ended 30 June 2018 on pages 4 to 16 and the attached supplementary information on pages 17 and 18.

The Directors are responsible for the preparation, in accordance with Cook Islands law and which are in accordance with New Zealand Generally Accepted Accounting Practice of financial statements which give a true and fair view of the financial position of the Company as at 30 June 2018 and the results of its operations and cash flows for the period ended 30 June 2018.

The Directors consider that the financial statements of the Company have been prepared using accounting policies appropriate to the Company circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand PBE Accounting Standards have been followed.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

For and on behalf of the Directors

Lesley Katoa
Resident Director

John Bishop
Director

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
For the year ended 30 June 2018

	NOTE	TOTAL 2018 US$	*restated - Note 13 TOTAL 2017 US$
Gross written premium		2,340,000	230,000
Less change in unearned premium		(716,822)	(78,137)
Premium income		1,623,178	151,863
Reinsurance premiums		(850,000)	-
Less change in deferred reinsurance		288,767	-
Outwards reinsurance expense		(561,233)	-
Net premium income		**1,061,945**	**151,863**
Claims expense		(3,528,781)	-
Reinsurance recovery		528,781	-
Net claims incurred		(3,000,000)	-
Net underwriting (loss) / profit		**(1,938,055)**	**151,863**
Revenue from non-exchange transactions		18,443,190	6,500,000
Plus / (less) movement in revenue received in advance		204,637	(393,257)
Interest income		62,478	7,620
Revenue from non-underwriting sources		18,710,305	6,114,363
		16,772,250	**6,266,226**
Auditor's remuneration	7	(25,833)	(25,625)
CEO remuneration		(101,405)	-
Calculation agent fee		(105,000)	-
Management fee expense		(96,000)	(64,000)
Recruitment agency fee		(80,558)	(11,000)
Reinsurance broker fee		(60,000)	-
Directors' fees		(24,919)	-
Legal fees		(19,421)	(6,025)
DRF Advisor		(4,250)	-
Tax consulting fees	7	(11,661)	-
Other expenses		(3,759)	(290)
Total expenses		**(532,806)**	**(106,940)**
SURPLUS FOR THE PERIOD		**16,239,444**	**6,159,286**
TOTAL COMPREHENSIVE REVENUE AND EXPENSES		**16,239,444**	**6,159,286**

The notes and appendices to the financial statements on pages 8 to 18 form part of and should be read in conjunction with this statement.

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PACIFIC CATASTROPHE RISK INSURANCE COMPANY
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

	Share Capital US$	*restated - Note 13 Retained Earning Unrestricted	*restated - Note 13 Retained Earnings Restricted US$	Long Term Reserves US$	*restated - Note 13 Total US$
Balance at 10 June 2016	-		-	-	-
Capital issued on 14 October 2016	100,000		-	-	100,000
Surplus for the period	-	159,286	6,000,000	-	6,159,286
Other comprehensive revenue and expenses for the period	-		-	-	-
Balance at 30 June 2017	100,000	159,286	6,000,000	-	6,259,286
Surplus for the period	-	(1,890,631)	18,130,075	-	16,239,444
Transfer (to) / from Long Term Reserves - MDTF	-	-	(18,000,000)	18,000,000	-
Reallocation to Long Term Reserves Accessed - MDTF	-	1,298,509	-	(1,298,509)	-
Transfer (to) / from Long Term Reserves - DFID	-	-	(6,130,075)	6,130,075	-
Reallocation to Long Term Reserves Accessed - DFID	-	432,836	-	(432,836)	-
Other comprehensive revenue and expenses for the period	-	-	-	-	-
Total	-	(159,286)	(6,000,000)	22,398,730	16,239,444
Balance at 30 June 2018	100,000	-	-	22,398,730	22,498,730

The notes and appendices to the financial statements on pages 8 to 18 form part of and should be read in conjunction with this statement.

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PACIFIC CATASTROPHE RISK INSURANCE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	NOTE	TOTAL 2018 US$	*restated - Note 13 TOTAL 2017 US$
EQUITY			
Share capital	3	100,000	100,000
Long Term Reserves		22,398,730	-
Retained Earnings		-	6,159,286
TOTAL EQUITY		**22,498,730**	**6,259,286**
Represented By:			
CURRENT ASSETS			
Cash and cash equivalents	4	23,723,588	6,880,509
Deferred Reinsurance		288,767	-
Other receivable		3,024	526
Deferred licence fee		2,210	2,270
TOTAL CURRENT ASSETS		**24,017,589**	**6,883,305**
TOTAL ASSETS		**24,017,589**	**6,883,305**
CURRENT LIABILITIES			
Payables	10	535,280	152,625
Claim payables		-	-
MDTF Grant - Category 1 Advance	8 / 13	188,620	393,257
Unearned premium reserve	10	794,959	78,137
TOTAL CURRENT LIABILITIES		**1,518,859**	**624,019**
NET ASSETS		**22,498,730**	**6,259,286**

The notes and appendices to the financial statements on pages 8 to 18 form part of and should be read in conjunction with this statement.

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	NOTE	2018 US$	2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from insurance contracts		2,340,000	230,000
		2,340,000	230,000
Cash was disbursed to:			
Claims paid		(3,528,781)	-
Plus reinsurance recoveries received		528,781	
Payments to suppliers		(475,091)	(56,585)
Reinsurance premiums		(425,000)	-
		(3,900,091)	(56,585)
NET CASH (OUTFLOWS) / INFLOWS FROM OPERATING ACTIVITIES	11	(1,560,091)	173,415
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Interest received		59,980	7,094
		59,980	7,094
NET CASH INFLOW FROM INVESTING ACTIVITIES		59,980	7,094
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Share capital		-	100,000
Cook Islands Ministry of Finance		(100,000)	100,000
Receipts from revenue from non-exchange transactions		18,443,190	6,500,000
		18,343,190	6,700,000
NET CASH INFLOW FROM FINANCING ACTIVITIES		18,343,190	6,700,000
NET INCREASE IN CASH HELD		16,843,079	6,880,509
Cash and cash equivalents at the beginning of the period		6,880,509	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		23,723,588	6,880,509
Represented by:			
Bank balance		23,723,588	6,880,509

The notes and appendices to the financial statements on pages 8 to 18 form part of and should be read in conjunction with this statement.

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1 REPORTING ENTITY

Pacific Catastrophe Risk Insurance Company (PCRIC / the Company) is a body constituted in the Cook Islands under the Pacific Catastrophe Risk Insurance Facility Act 2016. The Pacific Catastrophe Risk Insurance Foundation (the Foundation) is the sole shareholder of PCRIC. The purpose of the Company is to undertake captive insurance business within the meaning of the Cook Island Captive Insurance Act 2013. The primary objective of the Company is to provide services for the benefit of the Pacific Island Countries and to establish a sustainable and viable vehicle to assit with post disaster relief in the Pacific. The Company is a Public Benefit Entity (PBE) for financial reporting purposes. These financial statements for the Company are for the year ended 30 June 2018 and were authorised for issue by the Board on 30 November 2018.

Basis of Financial Statement Preparation

Statement of Compliance

The financial statements have been prepared on a going concern basis.

These financial statements have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice (NZ GAAP) as required in the Cook Island Captive Insurance Regulations. The management has elected to prepare these financial statements in accordance with Tier 1 PBE accounting standards. The financial statements comply with PBE accounting standards for Tier 1 not-for-profit public benefit entities.

The period covered by the financial statements is from 1 July 2017 to 30 June 2018. The comparative balances are the period from the incorporation date (10 June 2016) to 30 June 2017.

The financial statements are presented in United States dollars, rounded to the nearest dollar, being the functional currency.

The financial statements have been prepared on the historical cost basis unless otherwise stated. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Standards issued and not yet effective and not early adopted

PBE IFRS 9 Financial Instruments replaces the existing guidance in PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

PBE IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2021, with early adoption permitted. Based on management's initial impact assessment of this Standard, this Standard is not expected to have a material impact on the Company's financial statements.

Summary of Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements. Significant accounting policies that do not relate to a specific note are outlined below:

Income Tax

The Company is exempt from income tax in accordance with the Pacific Catastrophe Risk Insurance Facility Act 2016. Accordingly, no provision has been made for income tax. Tax advice may be sought to ensure that any operation by PCRIC in other jurisdictions does not jeoperdise the entitiy's position to maintain the tax exempt status.

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1 REPORTING ENTITY (continued)

Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with PBE IPSAS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are also reviewed on an ongoing bases and any changes to the estimates are recognised in the period in which they are revised. For the period ended 30 June 2018 there are no critical accounting estimates or assumptions.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and deposits on call, with an original maturity of three months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

2 BASIS OF FINANCIAL STATEMENT PRESENTATION

(a) **Revenue Recognition**

Premium Income

Premium income is recognised by reference to the pattern of risk and the proportion of the policy period covered by the premium that is completed at balance date. The adequacy of the unearned premium liability is assessed by considering the current estimates of the present value of the expected cash flows relating to future claims arising from the rights and obligations under current insurance contracts against the unearned premium liability.

Interest

Interest revenue is recognised in profit or loss using the effective interest method.

Revenue from non-exchange transactions

Where a physical asset is acquired for no cost or nominal cost, the fair value of the asset received is recognised as revenue only when the Company has control of the asset. Multi Donor Trust Fund (MDTF) Operational Expense Grant Category 1 is recognised as revenue in the fiscal period in which an eligible expenditure is occured. MDTF Grant (Category 2 & 3) and Department for International Development (DFID) Grant are recognised in the financial period in which the funds are recieved. Refer Note 8 for further details on revenue from non-exchange transactions.

(b) **Outwards Reinsurance**

Premiums ceded to reinsurers are recognised as an expense in accordance with the incidence of risk and pattern of reinsurance cover received.

(c) **Claims Expense and Outstanding Claims**

Claims paid are treated as an expense. Provision is made for the estimated cost of all claims notified but not settled at balance date and claims incurred but not yet reported within 40 business days after the date of occurrence of the applicable catastrophe event, that may affect the pattern of unreported claims. During the period ended 30 June 2018 there was one claim which was fully paid, there were no claims reported for which a provision may be required.

(d) **Reinsurance and Other Recoveries Receivable**

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

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2 BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)

(e) Assets Backing General Insurance Liabilities

The assets are assessed under PBE IFRS 4 Insurance Contracts to be assets that are held to back general insurance liabilities.

These financial assets are designated as fair value through surplus or deficit. Initial recognition is at fair value in the statement of financial position with any fair value gains or losses recognised in the statement of comprehensive income.

Loans and other receivables are initially recognised at fair value, being the amount due. Debts which are known to be uncollectible, are written off.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loans and other receivables.

(f) Other Payables

Other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recognised at amortised cost.

(g) Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents include bank balances net of outstanding bank overdrafts.

The following terms are used in the statement of cash flows:
Operating activities are the principal revenue producing activities of the Company and other activities that are not investing or financing activities.
Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company and funds received under grants.

(h) Equity

Equity is the as measured by total assets less total liabilities. Equity is comprised of share capital and retained earnings.

Share capital is classified as equity when there is no obligation to transfer cash or other assets.

Retained earnings are disaggregated and classified into a number of sub-reserves to enable clearer identification of the specified uses that Company makes of its retained earnings. The components of retained earnings are:
* Retained Earnings
* Long Term Reserve

Reserves represent a particular use to which various parts of equity have been assigned.

Retained earnings sub-reserves may be:
* Created, by the Company and may be altered without reference to any party, transfers to and from these reserves are at the discretion of Company; or
* Legally restricted, under specific conditions accepted as binding by the Company, transfers from these reserves may be made only for specified purposes or when certain conditions are met.

The PCRIC retained earnings sub-reserve named Long Term Reserve has been created by the Company for the purpose of:

• Identifying and segregating from Retained Earnings the restricted MDTF and DFID funds which can only be used for:
* facilitating a quick claim payment whilst waiting on reinsurnace to be recovered.
* making a claim payment where there is insufficient Retained Earnings to cover the full cost of the claim.

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	2018 US$	2017 US$
3. SHARE CAPITAL		
One ordinary share	100,000	100,000

All ordinary shares are fully paid, have equal voting rights and share equally in dividends and net assets on winding up. The shares have no par value.

4. CASH & CASH EQUIVALENTS	2018 US$ Restricted Funds	2018 US$ Unrestricted Funds	2018 US$ Total	2017 US$ Restricted Funds	2017 US$ Unrestricted Funds	2017 US$ Total
Designated Bank Account/s	296,690	42,041	338,731	443,612	429,703	873,315
Premium Account	1,268,655.52	953,549	2,222,204	-	-	-
Term Deposits	21,130,075	32,577	21,162,652	6,000,000	7,194	6,007,194
Total Cash & Cash equivalents	22,695,421	1,028,167	23,723,588	6,443,612	436,897	6,880,509

The Designated Bank Account and Term Deposit Accounts have been created to hold the restricted funds. Restricted Funds are those funds received from either the MDTF or DFID.

Funds disbursed from the MDTF are designated as follows:

Category 1 - Funds for goods, consulting services, non-consulting services, training and operating costs for:
- Establishment and operationalisation of the PCRIC
- Development of disaster risk financing products
- Monitoring and evaluation of the insurance payout process

Category 2 - Capitalisation Phase 1 (First instalment of project funds for capitailisation)

Category 3 - Capitalisation Phase 2 (Second instalment of project funds for capitalisation)

Funds received from the MDTF as Category 1 are held within the Designated Bank Account. Funds received as Category 2 and 3 and those funds received from DFID are held within the term Deposit Accounts.

5. CREDIT RATING

The Company does not have, has not sought and is not required to have a credit rating. The Company is exempted from this requirement as the Company does not insure any third party risks.

6. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES

The Company was issued with a licence under the Cook Islands Captive Insurance Act 2013 on 10 June 2016.

The financial condition and operation of the Company is affected by a number of key risks including insurance risk, interest rate risk, market risk, compliance risk and operational risk. The Company's policies and procedures in respect of managing insurance risk 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 Company has an Operational Manual which has been endorsed by the council of members, this manual sets out the policies and procedures. The Board is currently developing a comprehensive risk register and risk appetite strategy, and are actively seeking the services of an asset manager to assist with the development of an investment strategy. Given the large loss incurred due to Tropical Cyclone Gita this investment strategy will focus on replenishing the capital position. All policies and procedues will be reviewed by the incoming CEO once appointed, and annually thereafter.

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.
- Models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience is used as part of the process.
- The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claims.
- The Company does not currently have an investment strategy. All funds surplus to operating requirements are held in term deposits maintained in the Cook Islands until an Board approved investment strategy is adopted.
- The diversification over separate geographical areas seeks to reduce variability in loss experience.

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6. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Insurance Risk

Insurance exposures are managed by the Company through:

- The ability to review insurance contracts in place and in particular adjust future premium rates.
- Concentration risk is mitigated as a result of geographical spread of Pacific Island countries. These counties include Cook Islands, Republic of Marshall Islands, Samoa, Tonga and Vanuatu.

The gross exposure of the Company is US$ 45,346,351 (2017 US$ 4,033,822). This is limited through the purchase of reinsurance. Net exposure of the Company is US$ 31,846,351 (2017 US$ 4,033,822).

Exposure for each of the member countries is:

	2018			2017		
Member	Peril Insured	Event Insured	Coverage Limit	Peril Insured	Event Insured	Coverage Limit
Cook Islands	Tropical Cyclone	1 in 150 Year	3,029,438	Tropical Cyclone	1 in 150 Year	807,873
Vanuatu	Earthquake & Tropical Cyclone	1 in 50 Year	9,024,186	Earthquake & Tropical Cyclone	1 in 50 Year	780,413
Republic of Marshall Islands	Tropical Cyclone	1 in 50 Year	10,200,666	Tropical Cyclone	1 in 50 Year	883,422
Samoa	Earthquake & Tropical Cyclone	1 in 100 Year	15,710,943	Earthquake & Tropical Cyclone	1 in 100 Year	924,475
Tonga	Earthquake & Tropical Cyclone	1 in 30 Year	7,381,118	Earthquake & Tropical Cyclone	1 in 30 Year	637,640
Total			**45,346,351**			**4,033,823**

Liquidity Risk

Liquidity risk represents the risk that the company may not have the financial ability to meets its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis, with a special focus at the time of the insurance renewal (1 November each year). The key risk to liquidity is the net exposure retained as noted in the Insurance Risk section of this note. Although the net exposure is greater than the Capital held by the Company the Board makes an assessment of the likelihood of a full claim from each participating country and notes it would require the following:

	2018		2017	
Member	Peril Insured	Event Required for Full Loss	Peril Insured	Event Required for Full Loss
Cook Islands	Tropical Cyclone	1 in 150 Year	Tropical Cyclone	1 in 150 Year
Vanuatu	Earthquake & Tropical Cyclone	1 in 50 Year	Earthquake & Tropical Cyclone	1 in 50 Year
Republic of Marshall Islands	Tropical Cyclone	1 in 50 Year	Tropical Cyclone	1 in 50 Year
Samoa	Earthquake & Tropical Cyclone	1 in 100 Year	Earthquake & Tropical Cyclone	1 in 100 Year
Tonga	Earthquake & Tropical Cyclone	1 in 30 Year	Earthquake & Tropical Cyclone	1 in 30 Year

Credit Risk

The credit rating of all participating reinsurers is monitored by the Company's Adviser who is responsible for warning the Board of changes to the credit ratings of any reinsurer involved in the Company's reinsurance programme. The reinsurere credit ratings are formally reviewed by the Board each year.

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

There are no significant concentrations of credit risks.

Liability Adequacy Test

The liability adequacy test is an assessment of whether the carrying amount of the recognised liabilities are adequate and is conducted at each reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts exceed the recognised liabilities then the recognised liabilities are deemed to be deficient.

There is no deficiency at 30 June 2018.

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7. AUDITOR'S REMUNERATION

	2018 US$	2017 US$
- Audit of financial statements	25,833	20,500
- Agreed upon procedures engagement on utilisation of grant	-	5,125
- Non audit fee tax consulting	11,661	-
Total	**37,494**	**25,625**

8. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are those where the Company receives value from another entity without giving approximately equal value in exchange. The Company receives non-exchange transactions by way of grant funding under the Multi-Donor Trust Fund Agreement (MDTF) entered into with International Bank for Reconstruction and Development, and the International Development Association. The Company also receives grant funding under the Memorandum of Understanding entered into with the Department for International Development (DFID). Recognition of non-exchange revenue from grants depends on whether the grant comes with any stipulations imposed on the use of a transferred asset.

Stipulations that are 'conditions' specifically require the Company to return the inflow of resources received if they are not used in the way stipulated, and therefore do not result in the recognition of a non-exchange revenue until the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Company to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue on receipt.

	2018 US$	2017 US$
MDTF Grant (Category 2 & 3)	12,000,000	6,000,000
Opening balance MDTF Revenue received in Advance	393,257	-
MDTF Operational Expense Grant (Category 1)	313,115	500,000
MDTF Revenue Received in Advance	(188,620)	(393,257)
DFID	6,130,075	-
Revenue from non-exchange transactions	**18,647,827**	**6,106,743**

9. RISK MANAGEMENT

(a) Capital Management

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain shareholder, creditor and policyholder confidence and to sustain the future development of the business.

Financial Resource Requirements under the Captive Insurance Act 2013

When managing capital, the Directors' objective is to ensure the Company continues as a going concern, at the same time meeting regulatory obligations in regard to minimum capital requirements.

The Directors monitor the capital structure of the Company in light of economic factors and regulatory requirements, with a view of making adjustments where necessary.

The Company, as a captive insurer, is required to maintain sufficient capital to meet the prescribed minimum requirements in accordance with the Captive Insurance Act 2013, Captive Insurance Regulations 2013 and related regulations (collectively, "the Act"). The methodology and bases for determining the financial resource requirements are in accordance with the requirements of the Act.

Under the Act, the Company is required to maintain minimum prescribed capital and surplus of NZ $100,000.

	2018 US$	2017 US$
Actual capital	22,207,753	6,259,286
Prescribed minimum capital (expressed in USD equivalent of NZD $100,000)	67,740	73,212
Margin	22,140,013	6,186,074
Margin ratio	327.84	85.50

(b) Financial Risk Management Objectives

The Company's activities expose it primarily to interest rate and credit risk.

(c) Interest Rate Risk Management

The Company is exposed to interest rate risk is limited to term deposits included in the cash and cash equivalents balance. Management monitors the level of interest rates on an ongoing basis.

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9. RISK MANAGEMENT (continued)

At balance date financial assets are subject to interest rate risk as follows:

	2018 Value	2018 Term	2018 Rate	2017 Value	2017 Term	2017 Rate
Term deposit 1 (within cash and cash equivalents)	11,162,652	7 days	0.26%	6,007,194	7 days	0.63%
Term deposit 2 (within cash and cash equivalents)	10,000,000	90 days	0.42%			

(d) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Financial instruments which potentially subject the Company to credit risk principally consist of cash and cash equivalents and term deposits (investments) held with counterparty banks. The Company maintains these balances with counterparty bank having a credit rating of AA- from Standard & Poors, and does not anticipate a default from the counterparty banks.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

(e) Liquidity Risk Management

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The maturity profile of financial instruments is disclosed in Note 10.

(f) Categories of Financial Instruments

	2018 US$	2017 US$
Financial assets:		
Assets measured at amortised cost		
- Cash and cash equivalent (Level 1)	23,723,588	6,880,509
Loans and receivables		
- Other receivables (Level 2)	3,024	526
Total financial assets	23,726,612	6,881,035
Financial liabilities		
Other financial liabilities		
- Payables (Level 2)	535,280	152,625
- MDTF grant income category 1 advance (Level 2)	188,620	393,257
Total financial liabilities	723,900	545,882

The Company considers that the carrying amount of financial assets and liabilities in the financial statements approximates their fair value.

(g) Sensitivity Analysis

In managing interest rate risk the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Due to the small interest rate currently achieved on the term deposits a reduction of this rate greater than 25% would not materially impact the Company's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit and equity.

10. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The following tables detail the Company's remaining contractual maturity for its financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial instruments based on the earliest date on which the Company can be required to pay/receive. The table includes both interest and principal cash flows.

	Up to 1 month US$	1 month up to 12 months US$	Over one year US$	Total US$
2017				
Financial Assets				
- Cash and Cash equivalents	6,880,509	-	-	6,880,509
- Other receivables	526	-	-	526
	6,881,035	-	-	6,881,035
Financial Liabilities				
- Unearned Premiums	-	(78,137)	-	(78,137)
- MDTF grant income category 1 advance	-	(393,257)	-	(393,257)
- Audit fee payable	(25,625)	-	-	(25,625)
- Management fee payable	(16,000)	-	-	(16,000)
- Recruitment fee payable	(11,000)	-	-	(11,000)
- Cook Islands Ministry of Finance	(100,000)	-	-	(100,000)
	(152,625)	(471,394)	-	(624,019)

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10. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	Up to 1 month US$	1 month up to 12 months US$	Over one year US$	Total US$
2018				
Financial Assets				
- Cash and Cash equivalents	12,560,936	11,162,652	-	23,723,588
- Deferred reinsurance	-	288,767	-	288,767
- Other receivables	3,024	-	-	3,024
	12,563,960	11,451,419	-	24,015,379
Financial Liabilities				
- Unearned Premiums	-	(794,959)	-	(794,959)
- MDTF grant income category 1 advance	-	(188,620)	-	(188,620)
- Reinsurance payable	-	(425,000)	-	(425,000)
- Audit fee payable	(30,500)	-	-	(30,500)
- Management fee payable	(20,000)	-	-	(20,000)
- CEO remuneration	(25,530)	-	-	(25,530)
- DRF Adviser	(4,250)	-	-	(4,250)
- Calculation Agent	(30,000)	-	-	(30,000)
	(110,280)	(1,408,579)	-	(1,518,859)

11. NET CASH GENERATED BY OPERATING ACTIVITIES

Reconciliation of profit for the period to net cash generated by operating activities:

	2018 US$	2017 US$
Profit for the year	16,239,444	6,159,286
Less revenue from non-exchange transactions	(18,647,827)	(6,106,743)
Less interest received on Term Deposit	(59,980)	(7,094)
Changes in net assets and liabilities:		
Other receivables	(2,498)	(526)
Deferred reinsurance	(288,767)	-
Deferred licence fee	60	(2,270)
Payables	482,655	52,625
Unearned premium reserve	716,822	78,137
Net cash generated by operating activities	**(1,560,091)**	**173,415**

12. RELATED PARTY TRANSACTIONS AND BALANCES

The parent of the Company is Pacific Catastrophe Risk Insurance Foundation, which is also the sole shareholder, and therefore is a related party.

During the period ended 30 June 2018 there were no transaction with any reated parties.

There were no balances owing to / from related parties as at 30 June 2018.

13. PRIOR PERIOD ADJUSTMENTS

During the period ended 30 June 2017, the company incorrectly recognised the Category 1 MDTF Operation Expense Grant advance as revenue. The Company did not provide their accountant with access to the full agreements which stipulated that in the event the Category 1 MDTF Operational Grant advance was not used the advance would be required to by repaid. The advance which was not used during the period should have been accounted for as a liability of the Company not as a revenue. This has now been corrected in the 2017 comparative amounts. Adjustments recorded are detailed below:

	As previously reported US$	Adjustments US$	As restated US$
Revenue from non-exchange transactions	6,500,000	-	6,500,000
Plus / (less) revenue received in advance	-	(393,257)	(393,257)
SURPLUS FOR THE PERIOD	6,552,543	(393,257)	6,159,286
TOTAL COMPREHENSIVE REVENUE AND EXPENSES	6,552,543	(393,257)	6,159,286
TOTAL ASSETS	6,883,305	-	6,883,305
MDTF Grant - Category 1 Advance	-	393,257	393,257
TOTAL LIABILITIES	230,762	393,257	624,019
Share Capital	100,000	-	100,000
Retained Earnings	6,552,543	(393,257)	6,159,286
TOTAL EQUITY	6,652,543	(393,257)	6,259,286

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In the Financial Statements for the period ended 30 June 2017 the Company incorrectly noted that "due to the ability of the World Bank to control the financial and operational decisions of the Company, the World Bank is a related party of the Company". This is not correct, should not have been included in 2017 financial statements and notes, and as such is not included in 2018 financial statements and notes.

14. EVENTS OCCURRING AFTER BALANCE DATE

Subsequent to the balance date the following material events have occurred:

- Vanuatu did not renew their policy on 1 November 2018.

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APPENDIX 1

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
SUPPLEMENTARY INFORMATION - STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES BY BUSINESS LINE
For the year ended 30 June 2018

	NOTE	MDTF Cat 1 2018 US$	MDTF Cat 2-3 2018 US$	DFID 2018 US$	ENTITY 2018 US$	TOTAL 2018 US$	*restated - Note 13 MDTF Cat 1 2017 US$	*restated - Note 13 MDTF Cat 2-3 2017 US$	*restated - Note 13 ENTITY 2017 US$	*restated - Note 13 TOTAL 2017 US$
Gross written premium		-	-	-	2,340,000	2,340,000	-	-	230,000	230,000
Less change in unearned premium		-	-	-	(716,822)	(716,822)	-	-	(78,137)	(78,137)
Premium income		-	-	-	1,623,178	1,623,178	-	-	151,863	151,863
Reinsurance premiums		-	-	-	(850,000)	(850,000)	-	-	-	-
Less change in deferred reinsurance		-	-	-	288,767	288,767	-	-	-	-
Outwards reinsurance expense		-	-	-	(561,233)	(561,233)	-	-	-	-
Net premium income		-	-	-	1,061,945	1,061,945	-	-	151,863	151,863
Claims expense		-	-	-	(3,528,781)	(3,528,781)	-	-	-	-
Reinsurance recovery		-	-	-	528,781	528,781	-	-	-	-
Net claims incurred		-	-	-	(3,000,000)	(3,000,000)	-	-	-	-
Net underwriting (loss) / profit		-	-	-	(1,938,055)	(1,938,055)	-	-	151,863	151,863
Revenue from non-exchange transactions		313,115	12,000,000	6,130,075	-	18,443,190	500,000	6,000,000	-	6,500,000
Plus / (less) movement in revenue received in advance		204,637	-	-	-	204,637	(393,257)	-	-	(393,257)
Interest income		-	-	-	62,478	62,478	-	-	7,620	7,620
Revenue from non-underwriting sources		517,752	12,000,000	6,130,075	62,478	18,710,305	106,743	6,000,000	7,620	6,114,363
		517,752	12,000,000	6,130,075	(1,875,577)	16,772,250	106,743	6,000,000	159,483	6,266,226
Auditor's remuneration	7	(25,833)	-	-	-	(25,833)	(25,625)	-	-	(25,625)
CEO remuneration		(101,405)	-	-	-	(101,405)	-	-	-	-
Calculation agent fee		(105,000)	-	-	-	(105,000)	-	-	-	-
Management fee expense		(96,000)	-	-	-	(96,000)	(64,000)	-	-	(64,000)
Recruitment agency fee		(80,558)	-	-	-	(80,558)	(11,000)	-	-	(11,000)
Reinsurance broker fee		(60,000)	-	-	-	(60,000)	-	-	-	-
Directors' fees		(24,919)	-	-	-	(24,919)	-	-	-	-
Legal fees		(16,833)	-	-	(2,588)	(19,421)	(6,025)	-	-	(6,025)
DRF Advisor		(4,250)	-	-	-	(4,250)	-	-	-	-
Tax consulting fees	7	-	-	-	(11,661)	(11,661)	-	-	-	-
Other expenses		(2,954)	-	-	(805)	(3,759)	(93)	-	(197)	(290)
Total expenses		(517,752)	-	-	(15,054)	(532,806)	(106,743)	-	(197)	(106,940)
SURPLUS FOR THE PERIOD		-	12,000,000	6,130,075	(1,890,630)	16,239,444	-	6,000,000	159,286	6,159,286
TOTAL COMPREHENSIVE REVENUE AND EXPENSES		-	12,000,000	6,130,075	(1,890,630)	16,239,444	-	6,000,000	159,286	6,159,286

The notes to the financial statements on pages 8 to 16 form part of and should be read in conjunction with this appendix.

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APPENDIX 2

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
SUPPLEMENTARY INFORMATION - STATEMENT OF FINANCIAL POSITION BY BUSINESS LINE
AS AT 30 JUNE 2018

	NOTE	MDTF Cat 1 2018 US$	MDTF Cat 2-3 2018 US$	DFID 2018 US$	ENTITY 2018 US$	TOTAL 2018 US$	*restated - Note 13 MDTF Cat 1 2017 US$	*restated - Note 13 MDTF Cat 2-3 2017 US$	*restated - Note 13 ENTITY 2017 US$	*restated - Note 13 TOTAL 2017 US$
EQUITY										
Share capital	3	-	-	-	100,000	100,000	-	-	100,000	100,000
Long Term Reserves		-	18,000,000	6,130,075	-	24,130,075	-	6,000,000	-	6,000,000
Long Term Reserves Accessed		-	(1,298,509)	(432,836)	-	(1,731,345)	-	-	-	-
Retained Earnings		-	-	-	-	-	-	-	159,286	159,286
TOTAL EQUITY		-	16,701,491	5,697,239	100,000	22,498,730	-	6,000,000	259,286	6,259,286
Represented By:										
CURRENT ASSETS										
Cash and cash equivalents	4	296,690	16,701,492	5,697,239	1,028,167	23,723,588	443,612	6,000,000	436,897	6,880,509
Deferred Reinsurance		-	-	-	288,767	288,767	-	-	-	-
Other receivable		-	-	-	3,024	3,024	-	-	526	526
Deferred licence fee		2,210	-	-	-	2,210	2,270	-	-	2,270
TOTAL CURRENT ASSETS		298,900	16,701,492	5,697,239	1,319,958	24,017,589	445,882	6,000,000	437,423	6,883,305
TOTAL ASSETS		298,900	16,701,492	5,697,239	1,319,958	24,017,589	445,882	6,000,000	437,423	6,883,305
CURRENT LIABILITIES										
Payables	10	110,280	-	-	425,000	535,280	52,625	-	100,000	152,625
Claim payables		-	-	-	-	-	-	-	-	-
MDTF Grant - Category 1 Advance	8 / 14	188,620	-	-	-	188,620	393,257	-	-	393,257
Unearned premium reserve	10	-	-	-	794,959	794,959	-	-	78,137	78,137
TOTAL CURRENT LIABILITIES		298,900	-	-	1,219,959	1,518,859	445,882	-	178,137	624,019
NET ASSETS		-	16,701,492	5,697,239	100,000	22,498,730	-	6,000,000	259,286	6,259,286

The notes to the financial statements on pages 8 to 16 form part of and should be read in conjunction with this appendix.

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Combined Independent Auditor's and Assurance Report

General

Our assurance procedures consisted of the audit of the Financial Statements of Pacific Catastrophe Risk Insurance Company (the 'company') and reasonable assurance procedures on the supplementary information attached to the company's Financial Statements.

Our scope can be summarised as follows:

Pacific Catastrophe Risk Insurance Company Financial Statement	Supplementary Information
Audit Scope	**Assurance Scope**
Reasonable assurance	Reasonable assurance
	— Presentation and classification requirements of the relevant grant agreements

Independent Auditor's Report

To the shareholder of Pacific Catastrophe Risk Insurance Company

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Pacific Catastrophe Risk Insurance Company (the 'company') on pages 4 to 16:

i. present fairly in all material respects the company's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2018;
- the statement of comprehensive revenue and expenses, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the company in relation to tax services and an assurance opinion on the supplementary information. Subject to certain restrictions, 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. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the company's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon, except as detailed in this report.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears 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.

Report on other legal and regulatory requirements

In accordance with the requirements of Regulations 13(2) and 13(3) of the Captive Insurance Regulations 2013, we report that the financial statements are prepared in accordance with the provisions of Section 18 of the Captive Insurance Act 2013, and Regulation 12 of the Captive Insurance Regulation 2013.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs NZ, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.

Obtains 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 entity's internal control.

Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

Evaluates 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.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Assurance opinion on the supplementary information

In our opinion, the company, has complied in all material respects with the presentation and classification requirements of the relevant grant agreements in relation to amounts received under the Multi Donor Trust Fund Category 1 ('MDTFC1'), Multi Donor Trust Fund Category 2 & 3 ('MDTFC2&3') and the Department For International Development ('DFID') as disclosed in the supplementary information.

We are providing assurance on the accompanying supplementary information on pages 17 and 18 which comprises:

- supplementary Information - statement of financial position by business line as at 30 June 2018; and
- supplementary Information - statement of comprehensive revenue and expenses by business line for the year then ended.

Information subject to assurance

We have performed an engagement to provide reasonable assurance on the company's presentation and classification of the grant amounts received under the Multi-Donor Trust Fund Grant Agreement and the Department for International Development Memorandum of Understanding, specifically:

- for MDTFC1 and MDTFC2&3, the Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund Grant Agreement (Grant No. TF A4171) Schedule 2 Section IV A 1 dated 16th February 2017 between Pacific Catastrophe Risk Insurance Company and International Bank for Reconstruction and Development International Development Association; and
- for the DFID, the Memorandum of Understanding between the Government of the United Kingdom of Great Britain and Northern Ireland through the Department for International Development ('DFID') and Pacific Catastrophe Risk Insurance Company for the Pacific Catastrophe Risk Assessment and Financing Initiative (Project code: 205266) dated 9th September 2017, paragraph 2.

collectively the 'relevant grant agreements', in the supplementary information for the year ended 30 June 2018.

Criteria

The supplementary information has been prepared to meet the reporting requirements of the relevant grant agreements and thus may not be suitable for another purposes.

Standards we followed

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 *Compliance Engagements*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In accordance with those we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the presentation of the grant amounts received under MDTFC1, MDTFC2&3 and DFID as disclosed in the supplementary information are free from material misstatement, whether due to fraud or error;

- considered relevant internal controls when designing our assurance procedures, however we do not express a opinion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

How to interpret reasonable assurance and material misstatement

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement when it exists.

Misstatements, including omissions, within the presentation of the grant amounts received under MDTFC1, MDTFC2&3 and DFID in the supplementary information are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the supplementary information.

Responsibilities of the Directors for the supplementary information

The Directors are responsible for the preparation and fair presentation of the grant amounts received under MDTFC1, MDTFC2&3 and DFID as disclosed in the supplementary information in accordance with the requirements of the relevant grant agreements. This responsibility includes such internal control as the Directors determine is necessary to enable the presentation of the grant amounts received from MDTFC1, MDTFC2&3 and DFID in the supplementary information that is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the supplementary information

Our responsibility is to express an opinion to the Directors on the presentation of the grant amounts received under MDTFC1, MDTFC2&3 and DFID in the supplementary information in accordance with relevant grant agreements.

Use of this independent auditor's report

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

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KPMG
Auckland

30 November 2018