Actuarial and Insurance Consultants

22 October 2018

Mr Graham Harris
CFO
Brightsideco Insurance Limited
Suite 1, Building B
34-46 Brookhollow Avenue
BAULKHAM HILLS NSW 2153
AUSTRALIA

Dear Graham

Review of Actuarial Information contained in the 2018 Financial Statements

Finity Consulting Pty Limited (Finity) has been asked by Brightsideco Insurance Limited (Brightsideco) to carry out a review of the 30 June 2018 actuarial information contained in the financial statements and to provide an opinion as to its appropriateness. This letter sets out the findings of our review, as required under Section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act).

Andrew Cohen is an employee of Finity and is the Appointed Actuary of Brightsideco. Andy Cohen and Finity have no relationship with Brightsideco apart from the Appointed Actuary role.

Brightsideco's policy is to seek and adopt the advice of the Appointed Actuary in respect of the actuarial information contained in the financial statements. We confirm that the financial statements as at 30 June 2018 have been prepared in accordance with this policy, and as such satisfy the requirements of the Act.

Having carried out my review, my opinion from an actuarial perspective is as follows:

- The actuarial information contained in the 2018 financial statements of Brightsideco has been appropriately included in those statements.
- The actuarial information used in the preparation of the 2018 financial statements of Brightsideco has been used appropriately.
- Brightsideco is maintaining the solvency margin that applies under a condition imposed under section 21(2)(b), noting that the required margin is $0.

No limitations were placed on me in performing my review, and all data requested was provided.

Sydney
Tel +61 2 8252 3300
Level 7, 68 Harrington Street
The Rocks, NSW 2000

Melbourne
Tel +61 3 8080 0900
Level 3, 30 Collins Street
Melbourne, VIC 3000

Auckland
Tel +64 9 306 7700
Level 5, 79 Queen Street
Auckland 1010

Finity Consulting Pty Limited ABN 89 111 470 270 finity.com.au / finityconsulting.co.nz

Actuarial and Insurance Consultants

This report is being provided for the sole use of Brightsideco for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on the purpose for which it is intended.

Yours sincerely

Andrew Cohen
Appointed Actuary
Fellow of the Institute of Actuaries of Australia

Product Care (NZ) Limited
Registration Number 3315009

Annual Report for the year ended 30 June 2018

Product Care (NZ) Limited

Annual report

For the year ended 30 June 2018

Contents

Product Care (NZ) Limited

Directors' Report

The Board of Directors present the annual report of Product Care (NZ) Limited (the "Company") incorporating the financial statements and auditor's report for the year ended 30 June 2018.

With the agreement of the shareholder, the Company has taken advantage of reporting concessions available to it under Section 211 (3) of the Companies Act 1993.

Directors

The following persons were Directors of the Company during the financial year unless otherwise stated:

Simon Cook
Anthony Jones
David Goodsall
David Whyte

The following persons were appointed to act as alternate Directors for Simon Cook and Anthony Jones on 24 August 2017:

Chantelle Lawes
Graham Harris

Registered Office

Grant Thornton Auckland Limited
L4, Grant Thornton House
152 Fanshawe Street
Auckland

Auditors

KPMG
18 Viaduct Harbour Ave
Auckland

Company details

Company incorporation number	3315009
Inland Revenue Department (IRD) number	106 701 792

Holding company

ICF Holdings (NZ) Limited RN 1695428

Bankers

ANZ Banking Group (NZ) Limited
15 Mercari Way
Albany, Auckland

Solicitors

Phillips Fox
205 Queen Street
Auckland

Principal activities

The Company provided warranty underwriting services during the course of the financial year. There has been no significant change in the nature of these activities during the year.

Product Care (NZ) Limited

Directors' Report (continued)

Review of operations

The net loss after income tax for the year ended 30 June 2018 was ($1,398,000) (2017: profit $276,000).

Matters subsequent to the end of the financial year

The company changed its name to Brightsideco Insurance Limited on 2nd July 2018. Apart from this, there is, at the date of this Report, no matter or circumstance that has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

a) the Company's operations in future financial years;
b) the results of those operations in future financial years; or
c) the Company's state of affairs in future financial years

Information on Directors in office at the date of this report

David Goodsall

David Goodsall is an Australian resident and was appointed to the Board of Directors on 1st April 2013. He is the chairman of the Audit Risk and Compliance Committee. Mr Goodsall is an actuary with extensive experience in the financial and risk management aspects of a wide range of Financial Services companies. He led the Actuarial Practice at Ernst & Young in Australia for many years before starting his own firm in 2009. David now advises Boards and management on strategic governance and is a Member of the Life Code of Conduct Committee in Australia.

David Whyte

David Whyte is a New Zealand resident and was appointed to the Board of Directors on 1st April 2013. He is the chairman of the Board of Directors. Mr. Whyte was a non-executive Director of Southern Response Ltd (2012 – 2014); CEO and Executive Director of Ginger Group Financial Services Ltd (2010 – 2012); Non-executive Director of Fidelity Life Assurance Ltd (2009 – 2010); Managing Director of AIG Life Australia (2002 – 2006). Mr. Whyte is a member of the Financial Disputes Resolution Advisory Council, Chairman of Lifetime Group Ltd, Non-executive Director of Home Run Partners Ltd, and is a Chartered Member of the NZ Institute of Directors. He has a post-graduate master's degree in Management, and a post-graduate qualification in Corporate Governance & Leadership.

Anthony Jones

Anthony Jones is the Chairman of the Board of ICF Holdings Pty Ltd and is a New Zealand resident. He was appointed to the Board of Directors in September 2005. ICF Holdings Pty Ltd is the ultimate parent entity of the ICF Group which is head-quartered in Sydney, Australia. The ICF Group has operations throughout Australia, New Zealand, Singapore, Malaysia, Ireland, Slovenia and Croatia and operates in the warranty administration and insurance underwriting business segments. Product Care (NZ) Limited ("PCL") is a 100% owned subsidiary of the ICF Group.

In addition, Mr Jones also holds executive functions as General Manager of Operations for Abbott NZ Holdings Limited and Managing Director for PCL and South Pacific Warranty Services Limited ("SPWS"). Mr Jones's experience includes underwriting, risk management and surveying, national account management and broking gained in international companies such as Vero Insurance, FAI Insurance, HIH Insurance and QBE Insurance.

Mr Jones has a Diploma of Financial Insurance from the ANZ Institute of Insurance & Finance.

Product Care (NZ) Limited

Directors' Report (continued)

Simon Cook

Simon Cook is a director of ICF Holdings Pty Limited and was ICF Group CEO for 8 years ending in 2015. He is an Australian resident. He was appointed to the Board of Directors on 1 April 2011. Mr Cook has more than 25 years' experience in the insurance industry having worked for insurance companies, insurance agencies and then the ICF Group from 2004. He is currently employed as General Manager for Yamaha Motor Insurance Australia Pty Ltd.

Mr Cook has a Diploma of Financial Insurance from the ANZ Institute of Insurance & Finance.

Mr Cook also performs honorary work for a major Australian trade association in the marine environment and represents that organisation to the global equivalent body.

This report is made in accordance with a resolution of the Directors.

The Board of the Company authorised these financial statements for issue on 18 October 2018.

On behalf of the Board

David Whyte	David Goodsall
Director	Director
Date : 18/10/18	Date : 18/10/18

Product Care (NZ) Limited

Corporate Governance Statement

Product Care (NZ) Limited ("the Company") is incorporated in New Zealand. The Company is a wholly owned subsidiary of ICF Holdings (NZ) Limited. ICF Holdings (NZ) Limited's ultimate parent is ICF Holdings Pty Ltd, an Australian privately owned company.

There are two independent directors, David Whyte and David Goodsall, one non-executive director, Simon Cook and one executive director, Anthony Jones, who have been appointed to the Board of Directors ("the Board").

The primary role of the Board is to provide effective governance of the Company's affairs and to protect the interests of its shareholder, whilst having regard for the interests of all stakeholders including policyholders, suppliers and the wider community.

The Board is accountable to its shareholder for the performance of the Company and has overall responsibility for the Company's operations.

This statement contains an outline of the principles, policies, procedures and practices that the Board and Management have implemented to govern the operations of the Board and the Company.

In establishing this corporate governance framework, the Board has had regard to its responsibilities at law and various governance standards, including the Governance Guidelines for Licensed Insurers issued by the Reserve Bank of New Zealand in June 2011.

The Board has adopted a Board Charter, which sets out the principles for the operation of the Board of Directors and provides a description of the functions and responsibilities of the Board and the functions delegated to management.

The key functions of the Board are summarised below:

- Approve the strategic direction and related objectives of the Company;
- Consider and approve the Company's annual budget including revenue, profit, capital expenditure and cash flows, as proposed by management, ensuring appropriate resources are available to achieve the business objectives;
- Monitor the financial performance in the implementation and achievement of strategic and business objectives;
- Review and approve the Company's capital management policies and plans, having regard for the various liquidity, solvency and capital adequacy regulatory requirements applying to the Company;
- Approve and oversee the process developed by management to ensure business risks are identified;
- Approve systems of risk management, risk appetite, regulatory compliance and control and associated Company policies to manage those risks;
- Monitor management's implementation of, and compliance with, these systems and controls;
- Manage and assess the performance of the Chief Executive, Anthony Jones;
- Assess the performance of the Chief Executive and approve the Chief Executive's assessment of the performance of each Executive; and
- Determine and approve the level of authority to be delegated to the Chief Executive in respect of operating expenditures, capital expenditures, credit facilities, and risk-taking and approve the further delegation of those authorities to management by the Chief Executive.

Product Care (NZ) Limited

Corporate Governance Statement (continued)

The Board may also delegate certain powers, duties and responsibilities to one or more committees of the Board.

The Board is committed to the highest standards of ethical behaviour.

Board members are appointed in accordance with a documented process and all appointments are subject to shareholder approval. There is a formal procedure in place for evaluating the performance of the Board.

The Board has established an Audit Risk and Compliance Committee ("ARCC") to assist and support the Board in the conduct of certain of its duties and responsibilities. The primary role of the ARCC is to assist the Board in verifying and safeguarding the integrity of the Company's financial reporting, reviewing the solvency return and evaluating and improving the effectiveness of the control, risk management and governance processes. The terms of reference of the ARCC are contained in a separate Board-approved charter. The members of the ARCC are two independent directors, David Whyte and David Goodsall, one non-executive director Simon Cook, and the one executive director, Anthony Jones, with full participation from the Company Secretary and Group Risk Manager.

Various internal policies which form part of the Company's compliance framework also apply to Directors.

Product Care (NZ) Limited

Statement of comprehensive income

For the year ended 30 June 2018

In thousands of NZD	*Note*	2018	2017
Premium revenue	5	8,262	7,800
Outwards reinsurance premium expense	11	(4,138)	(3,899)
Premium		**4,124**	**3,901**
Claims expense	17	(9,275)	(8,073)
Reinsurance and other recoveries	5	5,043	4,300
Net Claims Incurred		**(4,232)**	**(3,773)**
Reinsurer profit share income	5	-	500
Unexpired risk reserve movement	19	(2,064)	(417)
Underwriting expenses		(316)	(291)
Underwriting result		**(2,488)**	**(80)**
Operating expenses	6	(129)	(99)
Investment income	7	675	563
(Loss)/profit before income tax expense		**(1,942)**	**384**
Income tax benefit/(expense)	8	544	(108)
(Loss)/profit after income tax benefit/(expense)		**(1,398)**	**276**
Other comprehensive income		-	-
Total Comprehensive (loss)/income for the year		**(1,398)**	**276**

Total Comprehensive (loss)/income attributable to:		
Equity holders of the parent	(1,398)	276
Total Comprehensive (loss)/income	**(1,398)**	**276**

KPMG

Product Care (NZ) Limited

Statement of financial position

As at 30 June 2018

In thousands of NZD	*Note*	2018	2017
Current assets			
Cash and cash equivalents	9	4,124	3,119
Trade and other receivables	10	1,471	1,525
Deferred reinsurance expense	11	4,870	4,531
Reinsurance receivable	13	1,024	1,135
Investments	14	8,000	10,250
Total current assets		14,489	20,560
Non-current assets			
Deferred reinsurance expense	11	9,702	8,437
Deferred tax asset	12	695	117
Investments		12,250	5,500
Total assets		**42,136**	**34,614**
Current liabilities			
Trade and other payables	15	1,877	1,524
Income tax payable	16	34	338
Outstanding claims liability	17	909	834
Unearned premium reserve	18	9,748	9,082
Unexpired risk reserve	19	829	146
Total current liabilities		**13,397**	**11,904**
Non-current liabilities			
Unearned premium reserve	18	19,420	16,874
Unexpired risk reserve	19	1,652	271
Total liabilities		**34,469**	**29,049**
Net assets		**7,667**	**5,565**
Equity			
Issued capital	20	7,000	3,500
Retained earnings		667	2,065
Total equity		**7,667**	**5,565**

The notes on pages 10 to 32 are an integral part of these financial statements.

Product Care (NZ) Limited

Statement of changes in equity

For the year ended 30 June 2018

		Share capital	Attributable to equity holders of the Company Retained earnings	Total Equity
In thousands of NZD				
2018				
Balance at 1 July 2017		3,500	2,065	5,565
Total comprehensive income for the period				
Loss for the year		-	(1,398)	**(1,398)**
Total Comprehensive income		**3,500**	**667**	**4,167**
Issue of Share Capital	*20*	3,500	-	**3,500**
Total transactions with owners recorded directly in equity				
Balance at 30 June 2018		**7,000**	**667**	**7,667**

		Share capital	Attributable to equity holders of the Company Retained earnings	Total Equity
In thousands of NZD				
2017				
Balance at 1 July 2016		3,000	1,789	4,789
Total comprehensive income for the period				
Profit for the year		-	276	276
Total Comprehensive income		-	**276**	**276**
Issue of Share Capital	*20*	500	-	**500**
Total transactions with owners recorded directly in equity		**-**	**-**	**-**
Balance at 30 June 2017		**3,500**	**2,065**	**5,565**

KPMG

Product Care (NZ) Limited

Statement of cash flows

For the year ended 30 June 2018

In thousands of NZD	*Note*	2018	2017
Cash flows from operating activities			
Cash receipts from customers and others		11,548	12,233
Cash paid to policy holders and suppliers		(9,880)	(9,919)
Cash generated from operations		1,668	2,314
Income taxes paid		(338)	(33)
Net cash inflows from operating activities	9	1,330	2,281
Cash flows from investing activities			
Increase in investments		(4,500)	(4,000)
Interest income received		675	563
Net cash outflows from investing activities		(3,825)	(3,437)
Cash flows from financing activities			
Proceeds from issue of capital	20	3,500	500
Net cash inflows from financing activities		3,500	500
Net increase/(decrease) in cash and cash equivalents		1,005	(656)
Cash and cash equivalents at beginning of year		3,119	3,775
Cash and cash equivalents at 30 June	9	4,124	3,119

The notes on pages 10 to 32 are an integral part of these financial statements.

KPMG

1. Reporting entity

Product Care (NZ) Limited ("the Company") is a company limited by shares, incorporated and domiciled in New Zealand and registered under the Companies Act 1993. With the implementation of the Insurance (Prudential Supervision) Act 2010 all insurance entities undertaking insurance business in New Zealand are required to be licensed by the Reserve Bank of New Zealand (RBNZ). The Company was granted a full license on 1 June 2013. As a result of being a licensed insurer, the Company is deemed to be an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA).

The Company was established to provide warranty underwriting services. These services commenced from 1 June 2013.

The financial statements of the Company are for the year ended 30 June 2018, and were authorised for issue by the Directors on 18 October 2018.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for Tier 1 for-profit entities, and other applicable Financial Reporting Standards as appropriate to profit-oriented entities. The Company is a profit-oriented entity. The financial statements also comply with International Financial Reporting Standards (IFRS). The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and the FMCA and its financial statements comply with these Acts. The financial statements also comply, where relevant, with the Insurance (Prudential Supervision) Act 2010 and associated Regulations.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets and outstanding claims liabilities and reinsurance receivables as detailed in Note 3.

c) Functional and presentational currency

The financial statements are presented in New Zealand Dollars, which is the Company's functional currency. All financial information presented in New Zealand Dollar have been rounded to the nearest thousand dollars unless otherwise stated.

d) Use of estimates and judgements

The preparation of a financial report in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised. Information about significant assumptions and estimates uncertainty are disclosed in Note 4 - actuarial methods and assumptions.

KPMG

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Classification of warranty contracts

Warranty contracts under which the Company accepts risk from another party (the policyholder) by agreeing to indemnify the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts and are therefore accounted for using insurance accounting principles. Insurance risk is risk other than financial risk.

b) Revenue

i) Premium revenue

Premium revenue from warranty underwriting business includes amounts charged to the policyholders, excluding amounts collected on behalf of third parties.

In the year ended 30 June 2018, the Company changed its approach to recognising Premium in the Statement of comprehensive income from an inherent risk model to a straight-line model, where premium is evenly distributed across the term of the contract. As a result of this change, the current year financial statements were impacted as follows:

	Under current model	Under old model	Change
Statement of Comprehensive Income			
Earned premium revenue (net of reinsurance)	4,124	4,398	(274)
Unexpired risk reserve movement	(2,064)	(2,338)	274
Net impact to Statement of Comprehensive Income	**2,060**	**2,060**	**-**
Statement of Financial Position			
Closing balance of unearned premium reserve	(29,168)	(28,620)	(548)
Closing balance of deferred reinsurance expense	14,572	14,298	274
Closing balance of unexpired risk reserve	(2,481)	(2,755)	274
Net Impact to Statement of Financial Position	**(17,077)**	**(17,077)**	**-**

Going forward, premium revenue is recognised in the Statement of comprehensive income when it has been earned, that is, on a straight-line basis from the attachment date spread over the period of the contract.

The proportion of premium received or receivable not earned in the Statement of comprehensive income at the reporting date is recognised in the Statement of financial position as an unearned premium reserve.

3. Significant accounting policies (continued)

b) Revenue (continued)

ii) Reinsurance and other recoveries

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not yet reported, risk margins and unexpired risk liabilities are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

Reinsurance recoveries are presented as part of reinsurance receivable net of any provision for impairment based on objective evidence for individual receivables. Reinsurance and other recoveries receivable on outstanding claims are measured as the present value of the expected future receipts calculated on the same basis as the outstanding claims liability. Reinsurance does not relieve the originating insurer of its liabilities to policyholders and is presented separately on the balance sheet.

iii) Reinsurance profit commission

Profit commission on certain reinsurance arrangements is recognised in the Statement of comprehensive income when it is probable that a commission will be payable by the reinsurers under the relevant reinsurance contract and the amount of that commission can be reliably measured.

iv) Investment income

Interest income is recognised in the Statement of comprehensive income when it accrues, using the effective interest method.

c) Assets backing underwriting liabilities

The assets backing warranty underwriting liabilities are those assets that, in the opinion of the directors would be required to cover the warranty underwriting liabilities plus an allowance for uncertainty.

Warranty underwriting liabilities are assessed by the directors utilising actuarial valuations and estimates to include liabilities for unearned premium reserve, outstanding claims and unexpired risk (if required). (Notes 18 and 19).

Underwriting assets are detailed in the accounts and include:

- Cash on hand via banks with an AA- credit rating per Standard and Poor's, a credit rating agency
- Term deposits via banks with an AA- credit rating per Standard and Poor's, a credit rating agency
- Reinsurance assets through reinsurers with an AA- credit rating per Standard and Poor's, a credit rating agency

d) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less any impairment losses.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits where the initial maturity is less than three months. Term deposits with an initial maturity of three months and more are classified as investments.

3. Significant accounting policies (continued)

f) Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

g) Calculation of recoverable amount

The recoverable amount of the Company's receivables is calculated as at the present value of the future cash flows. Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

i) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of comprehensive Income.

3. Significant accounting policies (continued)

h) Share capital

Ordinary shares are classified as equity. Any dividends are recognised as a liability in the financial period in which they are declared.

i) Liability adequacy test

The liability adequacy test is an assessment of the carrying amount of the unearned premium reserve and is conducted at each reporting date.

Provision is made for unexpired risks arising from warranty underwriting business where the expected present value of claims and expenses attributed to the unexpired periods of policies in force together with a risk margin ("premium liabilities") exceeds the unearned premium reserve in relation to such policies after the deduction of any deferred acquisition costs. The premium liabilities are calculated separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio to achieve a probability of adequacy of 75%. Any deficiency arising from the test is recognised immediately in the Statement of comprehensive income firstly through the write down of deferred acquisition costs, with any remaining balance being recognised on the Statement of financial position as an unexpired risk reserve.

j) Outstanding claims liability

The outstanding claims liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments include those in relation to claims reported but not yet paid or not yet paid in full, claims incurred but not enough reported (IBNER), claims incurred but not reported (IBNR) and the anticipated direct and indirect claims handling costs. The liability is discounted to present value using a risk free rate.

Claims expense represents claim payments adjusted for the movement in the outstanding claims liability.

The estimation of the outstanding claims liability involves a number of key assumptions and is a critical accounting estimate. All reasonable steps are taken to ensure that the information used regarding claims exposures is appropriate. However, given the uncertainty in establishing the liability, it is likely that the final outcome will be different from the original liability established. Changes in claims estimates are recognised in profit or loss in the reporting year in which the estimates are changed.

k) Reinsurance and other recoveries

Reinsurance and other recoveries received or receivable on paid claims are recognised as income. Recoveries receivable on paid claims are presented net of any provision for impairment based on objective evidence for individual receivables. All recoveries receivable on paid claims are measured as the present value of the expected future receipts. Reinsurance does not relieve the Company of its liabilities to policy holders.

l) Provisions

A provision is recognised in the Statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. Significant accounting policies (continued)

m) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

n) Outwards reinsurance premium expense

Premium ceded to reinsurers is recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the pattern of incidence of risk ceded on basis consistent with the treatment of premium revenue. Accordingly a proportion of outwards reinsurance premium is treated as prepaid and disclosed as deferred reinsurance expense in the Statement of financial position.

o) Income tax

Income tax on the profit or loss for the financial period comprises current and deferred tax. Income tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous financial periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as a current asset or liability in the Statement of financial position.

q) Subvention Payments

The Company is part of a tax consolidated group with members as at 30 June 2018 being South Pacific Warranty Services Ltd and Product Care Administrations Services (NZ) Ltd.

3. Significant accounting policies (continued)

r) New standards and interpretations in issue not yet effective

The Company has not adopted a number of new standards, amendments to standards and interpretations that have recently been issued but are not yet mandatory. Those which may be relevant for the Company are set out below.

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. 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. It also carries forward guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on management's initial impact assessment of this standard, this standard is not expected to have material impact on the Company's accounting policies.

NZ IFRS 17 Insurance Contracts was issued on 18 May 2017, with an effective date of 1 January 2021. The standard becomes mandatory for the Company's 30 June 2022 financial statements. The standard will replace the existing NZ IFRS 4 and establishes the principles for recognition, measurement presentation and disclosure of insurance contracts. A detailed impact assessment has not yet been completed.

4. Summary of significant actuarial methods and assumptions

The effective date of the actuarial valuation of liabilities is 30 June 2018. The liability valuation is documented in a report prepared by Mr Andrew Cohen of Finity Consulting Pty Ltd, the Appointed Actuary for the Company. Mr Cohen has no other financial interest or dealings with the Company. The Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the premium liabilities and outstanding claims liability. The key assumptions used in the compilation of the reserves as at 30 June 2018 have been outlined in Note 17 and Note 18.

The outstanding claims liability disclosed for the Company have been calculated in accordance with the requirements of NZ IFRS 4 *Insurance Contracts* and consistent with the New Zealand Society of Actuaries Professional Standard No. 30 *"Valuation of General Insurance Claims"*.

Section 77(1) of the Insurance (Prudential Supervision) Act 2010 requires the Appointed Actuary to review the actuarial information contained in, or used in the preparation of, the financial statements. The Appointed Actuary is satisfied that he has obtained all of the information and explanations required. He is satisfied that the actuarial information has been used appropriately in the preparation of the financial statements and included appropriately in the financial statements.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

a) Unearned premium reserve and unexpired risk reserve

In accordance with the recognition of premium revenue (see accounting policy 3 b(i)) the consequent unearned premium reserve at the end of the year is based upon the straight-line earning of revenue plus the addition of premiums written during the year.

In undertaking the liability adequacy test to assess the carrying amount of the unearned premium reserve allowance is made through the application of a risk margin for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of future claims to increase or reduce when compared with the cost of previously settled claims.

KPMG

4. Summary of significant actuarial methods and assumptions (continued)

a) Unearned premium reserve and unexpired risk reserve (continued)

Analysis of the unearned premium reserve is provided in Note 18 together with the application of the Liability Adequacy Test including the assessment of the need for an unexpired risk reserve. The estimation of premium liability includes a number of key assumptions. The Company takes all reasonable steps to ensure it has appropriate information on which to base this estimate. However, given the uncertainty involved it is likely that the final outcome will differ from the original claims liability established.

The level of uncertainty around the eventual cost of claims relating to the unexpired portion of policies is significant given both the extended time period over which the claims may be reported (up to 7 years from the date of purchase of the underlying service plan/extended warranty arrangement) and the potential change in the underlying assumptions as set out in Note 18(i).

b) Deferred reinsurance expense

Deferred reinsurance expense is also determined using the above methods. 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 Company may not receive amounts due to it and these amounts can be reliably measured.

c) Outstanding claims liability

The outstanding claims liability is determined by estimating the ultimate cost of settling a claim, including direct and indirect costs of settling a claim, based on historical patterns of payments applicable at the balance date, as well as past experience and trends on claims size, frequency and other relevant factors. The provision for outstanding claims contains a risk margin to reflect the inherent uncertainty in the central estimate, the central estimate being the expected value of outstanding claims. Reinsurance recoveries are similarly determined using the prevailing rate of recovery.

5. Revenue

In thousands of NZD	2018	2017
Gross written premium	11,494	11,819
Movement in unearned premium	(3,232)	(4,019)
Premium revenue	8,262	7,800
Reinsurance recoveries	4,253	3,730
Other recoveries	790	570
Reinsurer profit share	0	500
Underwriting revenue	13,305	12,600

6. Operating expenses

In thousands of NZD		2018	2017
Operating expenses			
Audit fees	23	71	70
Credit rating fees		55	27
Accounting and secretarial fees		3	2
		129	99

7. Investment income

In thousands of NZD	2018	2017
Interest income	675	563
	675	563

8. Income tax expense

Recognised in the Statement of comprehensive income

In thousands of NZD	2018	2017
Current tax expense		
Current year	34	225
	34	225
Deferred tax expense		
Origination and reversal of temporary differences	(578)	(117)
Total income tax (benefit)/expense in Statement of comprehensive income	(544)	108

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of NZD	2018	2017
Profit before tax	(1,942)	384
Income tax using the domestic corporation tax rate of 28%	(544)	108

Imputation credit account

The Company is a member of a New Zealand tax consolidated Group.

The imputation balance as 30 June 2018 available to the Group is $655,199 (2017: $1,033,237).

KPMG

9. Cash and cash equivalents

In thousands of NZD	2018	2017
Bank balances	4,124	3,119
	4,124	3,119

Reconciliation of cash flows from operating activities

In thousands of NZD	*Note*	2018	2017
Cash flows from operating activities			
(Loss)/profit before tax for the period		(1,942)	384
Adjustments for:			
Investment income	7	(675)	(563)
Operating profit before changes in working capital and provisions		(2,617)	(179)
Decrease/(increase) in reinsurance receivables	13	111	(438)
Decrease/(increase) in trade and other receivables	10	54	(86)
Increase in deferred reinsurance expenses	11	(1,604)	(1,972)
Increase in trade and other payables	15	353	257
Increase in unexpired risk reserve	19	2,064	417
Increase in outstanding claims liability	17	75	296
Increase in unearned premium reserve	18	3,232	4,019
Income taxes paid		(338)	(33)
Net cash inflows from operating activities		1,330	2,281

10. Trade and other receivables

In thousands of NZD		2018	2017
Current			
Trade receivables due from related parties	22	1,055	1,256
Other receivables		416	269
		1,471	1,525

11. Deferred reinsurance expense

In thousands of NZD	2018	2017
Current	4,870	4,531
Non-current	9,702	8,437
	14,572	12,968
Opening balance	12,968	10,996
Reinsurance premiums incurred in the year	5,742	5,871
Reinsurance premiums expensed in the year	(4,138)	(3,899)
Balance as at 30 June	14,572	12,968

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2018

In thousands of NZD	Assets	Liabilities	Net
Unexpired risk reserve	695	-	695
Net tax assets	695	-	695

2017

In thousands of NZD	Assets	Liabilities	Net
Unexpired risk reserve	117	-	117
Net tax assets	117	-	117

Movement in temporary differences during the period

2018

In thousands of NZD	Opening Balance	Recognised In Income	Closing Balance
Unexpired risk reserve	117	578	695
	117	578	695

2017

In thousands of NZD	Opening Balance	Recognised In Income	Closing Balance
Unexpired risk reserve	-	117	117
	-	117	117

The directors are of the opinion that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

KPMG

13. Reinsurance receivables

In thousands of NZD	2018	2017
Current		
Recoveries on claims paid	595	741
Recoveries on outstanding claims liability	429	394
	1,024	1,135

14. Investments

In thousands of NZD	2018	2017
Term deposits	20,250	15,750

15. Trade and other payables

In thousands of NZD		2018	2017
Payables due to related parties	22	516	-
Other trade payables including reinsurance premiums payable		1,361	1,311
Claims payable			213
		1,877	1,524

16. Income tax payable

In thousands of NZD	2018	2017
Income tax payable	34	338
	34	338

The current tax payable for the Company represents the difference of tax payments versus the estimated balance payable to the Inland Revenue Department.

KPMG

17. Outstanding claims reserve

In thousands of NZD	2018	2017
Central estimate	861	791
Risk margin	48	43
Gross outstanding claims – current	909	834
Reconciliation of movement in claims liability:		
Balance at the beginning of the year	834	538
Claims incurred in the current year	9,275	8,073
Claims costs paid	(9,200)	(7,777)
Balance at end of year	909	834
Reinsurance and other recoveries receivable	(429)	(394)
Net outstanding claims liability at the end of the year	480	440

The outstanding claims liability is determined by estimating the ultimate cost of settling a claim, including direct and indirect costs of settling a claim, based on historical patterns of payments applicable at the balance date, as well as past experience and trends on claims size, frequency and other relevant factors.

The risk margin is an additional allowance for uncertainty in the cost of claims over and above the central estimate, determined on the bases set out in Note 4. Factors considered in setting the risk margin include variability of claims experience, quality of historical data, uncertainty to future economic conditions and future legislative changes.

A risk margin for outstanding claims of 11.0% (2017: 11.0%) of net central estimate has been assumed and is intended to achieve a 75% probability of sufficiency (2017: 75%).

KPMG

17. Outstanding claims reserve (continued)

Sensitivity Analysis

The valuation of outstanding claims is based on historical patterns of payments applicable at the balance date, as well as past experience and trends on claims size and other relevant factors. The impact on the profit and loss before income tax to changes in key actuarial assumptions is set out below.

In thousands of NZD	Change in Variable 2018	Impact on OCL 2018
Average Claim Size	+10.0%	48
	-10.0%	(48)
Cancellation Rate	+10.0%	(5)
	-10.0%	5
Inflation Rate	+1.0%	3
	-1.0%	(3)
Discount Rate	+1.0%	(1)
	-1.0%	1
Expenses	+1.0%	5
	-1.0%	(5)
Risk Margin	+1.0%	4
	-1.0%	(4)

18. Unearned premium reserve

A. Reconciliation of movements

In thousands of NZD	2018	2017
Current	9,748	9,062
Non-current	19,420	16,874
	29,168	25,936
Reconciliation of movement in unearned premium liability		
Opening balance	25,936	21,917
Written premium in the period	11,494	11,819
Premium earned during the year	(8,262)	(7,800)
	29,168	25,936

B. Liability Adequacy Test

The liability adequacy test identified a deficit of $2,481,000 as at 30 June 2018 (2017: deficit of $417,000). For the purposes of the test, the present value of expected future cash flows for future claims, net of reinsurance recoveries, including the risk margin for the Company is $17,077,000 (2017: $13,372,000), comprising the central estimate of $15,385,000 (2017: $12,060,000) and a risk margin of $1,692,000 (2017: $1,312,000). The risk margin is intended to achieve a probability of sufficiency of 75% (2017: 75%). The risk margin was determined by the actuary appointed by the Company, using the framework proposed by the Actuaries Institutes' Risk Margin Task Force.

KPMG

18. Unearned premium reserve (continued)

C. Composition of unearned premium reserve

The adequacy of the Unearned Premium Reserve (UPR) is assessed by determining the central estimate of expected future cash flows in respect of claims associated with unexpired risks together with a risk margin to reflect the inherent uncertainty in the estimate and then comparing this amount to the unearned premium liability.

The valuation assumptions were derived using data to 31 March 2018. Updated exposure data (i.e. the number of contracts sold in the three months to 30 June 2018) was incorporated and the projected cash flows were discounted using the yield curve at 30 June 2018.

The central estimate was modelled using the Payments per Claim Finalised (PPCF) method, where the number of claims and the average claim size are modelled separately. Separate PPCF models were developed for the key warranty categories (i.e. Brown Goods: Vacuums & Coffee Machines, Brown Goods: Other, Computers, White Goods: Laundry, White Goods: Other, and Miscellaneous).

The following assumptions have been made in assessing adequacy of the unearned premium liability:

(i) Assumptions

	30 June 2018	30 June 2017
Undiscounted mean term (years)	2.22	1.83
Discounted mean term (years)	2.18	1.76
Indirect expense ratio	1.00%	1.0%
Risk margin	11.00%	11.0%
Claims inflation	2.00%	4.5%-5.0%
Discount rate	1.97%	1.9%

The table below summarises the sensitivity of the premium liabilities calculation for the purpose of the Liability Adequacy Test.

	Movement in variable	Net premium liabilities increase/(decrease) $000's (Note A)	
In thousands of NZD		2018	2017
Net premium liabilities		17,077	13,372
Average Claim Size	+10.0%	1,708	1,337
	-10.0%	(1,708)	(1,337)
Claim Frequency	+10.0%	1,673	1,310
	-10.0%	(1,673)	(1,310)
Cancellation Rate	+10.0%	(185)	(145)
	-10.0%	185	145
Inflation Rate	+1.0%	373	(205)
	-1.0%	(365)	(202)
Discount Rate	+1.0%	(321)	(209)
	-1.0%	334	216
Expenses	+1.0%	169	134
	-1.0%	(169)	(134)
Risk Margin	+1.0%	154	134
	-1.0%	(154)	(134)

KPMG

18. Unearned premium reserve (continued)

Note A: This change would have an equivalent effect on net profit/loss before tax and shareholder's equity (net of tax effect).

D. Concentration of insurance risk

The Company writes warranty contracts predominantly covering retail electrical products. The portfolio is spread across a diversified range of manufacturers.

Regular reviews are undertaken to monitor the accumulation exposure to any particular product and/or manufacturer. Quota share reinsurance has been purchased to share the accumulated exposure in accordance with commercially available terms.

19. Unexpired risk reserve

A. Reconciliation of movements

In thousands of NZD	2018	2017
Current	829	146
Non-current	1,652	271
	2,481	417
Reconciliation of movement in unexpired risk reserve		
Opening balance	417	-
Total recognised (income)/expense	2,064	417
	2,481	417

KPMG

20. Equity

Share capital

In thousands

	2018	2017
On issue at 1 July	3,500	3,000
Issued for cash (number of shares)	3,500	500
On issue at 30 June	7,000	3,500

Issued at NZ$1.00 per share.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

The Company meets all capital adequacy requirements specified by the Reserve Bank of New Zealand.

Issue of ordinary shares

On 22 March 2018, the directors of the Company resolved to issue 3,500,000 shares at a price of NZ$1.00 per share to its sole shareholder ICF Holdings (NZ) Ltd.

Capital Management

The capital management strategy of the Company is to optimise shareholder value by managing the level, mix and use of capital resources. The main objectives are to ensure sufficient capital resources to maintain the business and operational requirements, retain sufficient capital to exceed externally imposed capital requirements, and ensure the entity's ability to continue as a going concern. The Company's capital policy is to hold all surplus capital in bank deposits with bank credit ratings of a minimum of AA-.

The Company's capital includes contributed equity on the statement of financial position of $7,000,000 (2017: $3,500,000).

There were no changes in the Company's approach to capital management during the year.

The Company has embedded in its capital management framework the necessary tests to ensure compliance with the Solvency Standard for Non-Life Insurance Business issued December 2014 by the RBNZ.

The Company's Audit and Risk Committee oversees the computations and capital solvency is carefully monitored against the Company's capital management plan. In addition, the Company manages the required level of capital through maintaining its investment strategy and its reinsurance quota share.

The Company manages its capital by considering regulatory requirements. The primary source of capital used is total equity attributable to owners. Total equity attributable to owners equates to "capital" as the defined in the solvency standard and shown below.

KPMG

20. Equity (continued)

Capital Management (continued)

As at 31 December 2017, the Company was in breach of capital adequacy requirements specified by the Reserve Bank of New Zealand. The context of the breach included a weakening solvency position and an unfavourable trend in underwriting performance. On 22 March 2018, the Company remedied the breach by issuing $3,500,000 of share capital to its owners. The breach was reported to the Reserve Bank of New Zealand as soon as reasonably practicable on 23 March 2018. The Reserve Bank of New Zealand acknowledged on 29 March 2018 that the breach has been remedied and that there would be no further consequences as a result of the breach.

Regulatory capital is made up of two components, actual solvency capital and minimum solvency capital, with the difference representing the solvency margin. The calculation of the solvency margin for the Company is detailed below :

Summary of Solvency position

In thousands of NZD

	2018	2017
Balance Sheet capital	7,667	5,565
Deductions	(695)	(117)
Actual solvency Capital	6,972	5,448
Risk Based Charges		
Insurance Risk	2,785	2,189
Catastrophe Risk	738	1,094
Reinsurance Recoveries Risk	313	323
Asset Risk	562	392
Interest Rate Risk	85	128
Minimum Solvency Capital	4,483	4,126
Solvency Margin	2,489	1,322
Solvency Ratio	1.56	1.32

KPMG

21. Financial instruments & risk management

A. Financial Risk Management

The activities of the Company expose it to the following financial risks:
- Credit risk
- Liquidity risk
- Operational risk
- Market risk (include currency risk, cash flow and fair value interest rate risk)

The Company has developed, implemented and maintains Investment and Capital Management Strategies to minimise potential adverse impacts upon the financial performance of the Company arising from financial market volatility.

The key objective of the Company's asset and liability management strategy is to ensure sufficient liquidity is maintained at all times to meet the Company's obligations, including its settlement of insurance liabilities.

Credit Risk
Credit risk relates to the possibility of default by transactional counterparties as well as the loss of value of assets due to the deterioration in credit quality. The Company's credit risk arises predominantly from investments, policyholder premium debtors and reinsurance recoveries.

Trade and other receivables
The credit risk exposure of the Company is non-repayment of the carrying amounts of the financial assets. For underwriting and warranty services, the balance due from Product Care Administration Services (NZ) Ltd (PCASNZ) is $1,055,000 (2017: $1,256,000). This balance is expected to be settled within 30 days of the balance date.

Reinsurance Recoveries
The credit risk exposure on reinsurance recoveries is reduced by only dealing with AA- rated reinsurers as rated by Standard & Poor's or Moody's.

Investments and cash
The Company limits its exposure to credit risk by only investing in term deposits and only with counterparties that have a credit rating of at least AA- from Standard & Poor's or Moody's equivalent. The counterparty banks with which these term deposits are held are rated AA-.

Trade and other receivable ageing

In thousands of NZD	0 to 30 Days	31-60 Days	61-90 Days	91+ Days	Total
2018					
Trade receivables	1,055	-	-	-	1,055
Other receivables	32	-	-	384	416
Reinsurance recoveries	209	815	-	-	1,024
Total Trade Receivables	1,296	815	-	384	2,495
2017					
Trade receivables	1,242	2	2	10	1,256
Other receivables	30	-	-	239	269
Reinsurance recoveries	483	652	-	-	1,135
Total Trade Receivables	1,755	654	2	249	2,660

Based on the aging shown above and allowing for cash received after reporting date, no impairment was required against trade and other receivable balances.

21. Financial instruments & risk management (continued)

A. Financial Risk Management (continued)

Credit Exposures

The table below provides information regarding the credit risk exposure of the Company by classifying investments according to Standard and Poor's credit ratings of the counterparties. Trade and other receivables are not rated because of their short term nature and the lack of any singularly material debtors. AAA is the highest possible rating. As at 30 June 2018 the Company did not hold any rated financial assets with a Standard and Poor's credit rating below AA-.

2018 *In thousands of NZD*	**AA- rated**	**Not rated**	**Total**
Financial Assets			
Cash and cash equivalents	4,124	-	4,124
Investments	20,250	-	20,250
Deferred reinsurance	14,572	-	14,572
Reinsurance recoveries	1,024	-	1,024
Trade and other receivables	384	1,087	1,471
	40,354	1,087	41,441

2017 In thousands of NZD	**AA- rated**	**Not rated**	**Total**
Financial Assets			
Cash and cash equivalents	3,119	-	3,119
Investments	15,750	-	15,750
Deferred reinsurance	12,968	-	12,968
Reinsurance recoveries	1,135	-	1,135
Trade and other receivables	269	1,256	1,525
	33,241	1,256	34,497

KPMG

21. Financial Instruments and risk management (continued)

A. Financial Risk Management (continued)

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management of liquidity risk includes asset and liability management strategies. The assets held to back insurance liabilities consist predominantly of cash deposits. The assets are managed so as to principally match the maturity profile of the assets with the expected pattern of claims payments or liability settlements.

Maturity Profiles
The table in below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations, except for insurance contracts, when maturity profiles are determined on the discounted estimated timing of net cash outflows. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Maturity Periods In Years				
In thousands of NZD	**1**	**2**	**3**	**4-10**	**Total**
2018					
Financial Liabilities					
Trade and other payables	(1,877)	-	-	-	(1,877)
Unearned premium liability	(9,748)	(9,268)	(6,476)	(3,676)	(29,168)
Outstanding claims liability	(909)	-	-	-	(909)
Unexpired Risk Reserve	(829)	(788)	(551)	(313)	(2,481)
	(13,363)	(10,056)	(7,027)	(3,989)	(34,435)

	Maturity Periods In Years				
In thousands of NZD	**1**	**2**	**3**	**4-10**	**Total**
2017					
Financial Liabilities					
Trade and other payables	(1,524)	-	-	-	(1,524)
Unearned premium liability	(9,062)	(13,230)	(3,379)	(265)	(25,936)
Outstanding claims liability	(834)	-	-	-	(834)
Unexpired Risk Reserve	(146)	(213)	(54)	(4)	(417)
	(11,566)	(13,443)	(3,433)	(269)	(28,711)

Market Risk
Market risk is the risk that changes in security market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. The Company has no material exposure to market revaluation of financial instruments.

KPMG

21. Financial Instruments and risk management (continued)

A. Financial Risk Management (continued)

Cash flow sensitivity analysis for interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The impact of a 1% uplift or reduction in market interest rates would impact pre-tax profit as follows:

		Movement in market interest rates	
In thousands of NZD		Minus 1.0%	Plus 1.0%
Pre-tax impact on profit	2018	565	(578)
Pre-tax impact on profit	2017	(189)	189

B. Risk management objectives and policies for mitigating insurance risks

(i) Objectives

The Company's objectives and policies in respect of managing insurance risks are:

- Understanding insurance risk so as to ensure that pricing and claims management reduce any risk of loss.
- Measuring the frequency and severity of possible insurance risk loss events.
- Treating insurance risk with controls designed to assure that any changes in trends or loss patterns are identified at the earliest time via rigorous analysis of detailed monthly claim and loss ratio data.
- Protecting the Company by holding at least 50% reinsurance with AA- rated reinsurers.

(ii) Concentrations of insurance risk

Please refer to Note 18 (d).

(iii) Exposure to risk

The Company manages claims in order to mitigate insurance risk primarily through:

- Detailed monthly management reporting on claims costs which may identify a need for changes to pricing or claim management processes
- Detailed analysis of claims cost by manufacturer, model and fault type to identify at the earliest time any recurrent problem that may be recoupable from manufacturers or require discontinuation of future warranty sales for that particular product
- Monthly actuarial reporting of all loss ratios including analysis of frequency and severity which may identify a need for changes to pricing or claim management processes.

22. Related parties

For the year ended 30 June 2018 the Company had an agreement with a related party, Product Care Administration Services (NZ) Limited (PCASNZ) to administer premium revenue collection and settle warranty claims on behalf of the Company, as part of its warranty services business. These balances are non-interest bearing and will be settled in cash.

For the year ended 30 June 2018, PCASNZ, a related entity, received written premiums of $13,393,743 including GST (2017: $13,576,884) on behalf of the Company and subsequently transferred these monies on receipt from the insured party to the Company. At the statement of financial position date, the Company was owed $1,054,691 (2017: $1,256,000) by PCASNZ.

For the year ended 30 June 2018 warranty claims settled gross of reinsurance on behalf of the Company by PCASNZ totalled $8,485,107 (2017: $7,502,976).

The Company paid a related entity, SPWS for managerial services during the year ended 30 June 2018 the amount of $24,000 (2017: $24,000) and for finance and actuarial services the amount of $184,800 (2017: $184,800). As at 30 June 2018, $Nil (2017: $Nil) remained payable from the Company to SPWS.

23. Auditor's remuneration

In thousands of NZD	2018	2017
Audit services		
Statutory financial statements audit	63	62
	63	62
Other services		
Other assurance service	8	8

Other assurance services relate to the review of the Company's annual Insurer Solvency Return.

24. Commitments

There were no commitments as at 30 June 2018 (2017: nil).

25. Subsequent events

Effective 2 July 2018 the Company changed its name to Brightsideco Insurance Limited.

The Company's parent entity ICF Holdings (NZ) Limited provides a formal guarantee to provide up to $1,000,000 in additional capital in the event that the Company's solvency ratio falls below a threshold defined in the Company's capital management plan. This guarantee has been in force since 6th November 2013 and was due to expire on 6th November 2018. On 30th August 2018, this guarantee was renewed for a further 5 years until 30th August 2023.

KPMG

Independent Auditor's Report

To the shareholder of Product Care (NZ) Limited (subsequently known as "Brightsideco Insurance Limited" from 2 July 2018)

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Product Care (NZ) Limited (subsequently known as "Brightsideco Insurance Limited" from 2 July 2018) (the 'Company') on pages 6 to 32:

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 New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

— the statement of financial position as at 30 June 2018;

— the statements of comprehensive income, 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 a limited assurance review of the Company's Annual Insurer Solvency Return. 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. 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 entity's Annual Report. Other information includes the Directors' Report and Corporate Governance Statement. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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.

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.

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 New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- 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.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Kay Baldock.

For and on behalf of

KPMG

KPMG
Auckland

25 October 2018