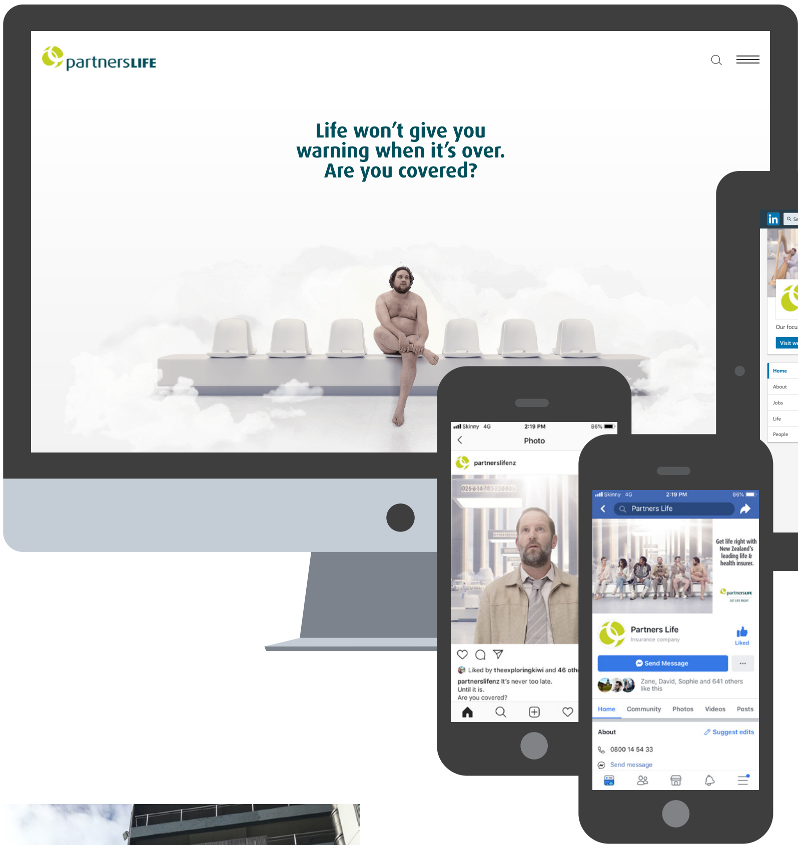
Partners Life Limited

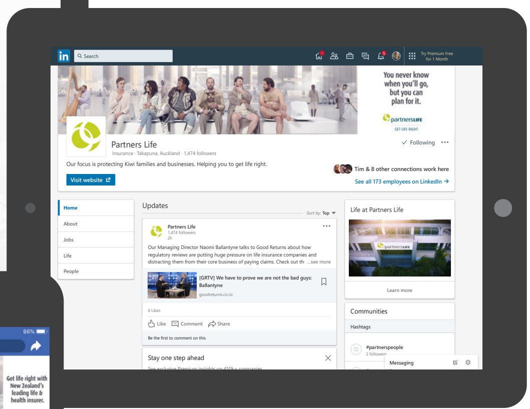
Annual Report & Financial Statements

for the year ended
31 March 2019

GET LIFE RIGHT - New Brand Campaign



Website, Social Media, Online Digital, TV, Billboards, Bus Backs, Movies & Partnerships



We are extremely proud of our first ever public-facing brand campaign, Get Life Right, which officially launched on the 3rd March 2019. Partners Life was founded with the goal of closing New Zealand's under-insurance gap and so we've taken on the mission of prompting Kiwis around the need to have adequate protection in place for when something unfortunate happens to them. We've taken a different approach, creating a very frank conversation about death by telling real life stories through the lens of Kiwi humour and challenging Kiwis to think about the very real possibility that bad things do happen and that those bad things can have financial consequences.

This is the first step of our wider Get Life Right communications strategy, and over time, we hope this will lead to more New Zealanders accessing the protection they need for themselves and their family.

Partnering with:

Financial Statements

For the year ended 31 March 2019

Report Contents

This year the Partners Life DUAL was a sell for the first time ever with a total of 2190 entries. Proving even more popular not only with the public but with advisers and staff alike. The Partners Life DUAL event has been developed to help publicise the vision of the Motutapu Trust in restoring native ecosystems. After this years event, the total raised for Motutapu Restoration Trust reached over $400,000.

Approval of Annual Report

The Board of Directors ('the Board') are pleased to present the annual report, including the financial statements of Partners Life Limited ('the Company') for the year ended 31 March 2019.

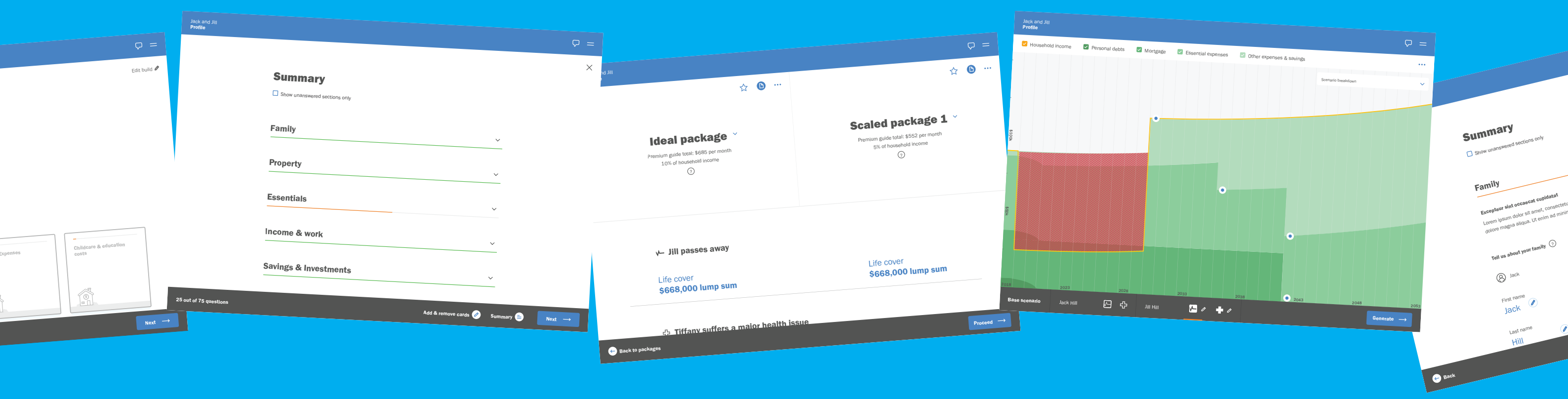
For and on behalf of the Board

J R Minto
Chairman of the Board
24 June 2019

J M G Perry
Chairman of the Audit Committee
24 June 2019

EVINCE

This year we have launched an adviser sales tool, designed to be visual and interactive, used in front of clients, to help them understand their need for insurance and value professional advice.



LEWERS

2019 LEWERS RESEARCH
FIVE STAR SATISFACTION AWARD

PARTNERS LIFE NEW ZEALAND

For the ninth year in a row, Partners Life is pleased and proud to have received a 5-Star rating from the Lewers Survey.

The Lewers Life Insurance survey is a long-running annual study of major Life Insurance Providers who deal through intermediaries and advisers across Australia and New Zealand. The survey is completed by over 300 independent financial advisers in New Zealand, and compares their satisfaction levels for many aspects of each company's service offering to them.

We are immensely proud to have achieved this rating, particularly as we are the only company to receive 5 stars, coming out on top of the survey once again. These results reflect our desire to create a balanced and trusted organisation by considering all the interests of our key stakeholders.

Company Directory

As at 31 March 2019

Nature of Business	The provision and administration of life insurance and related products, including trauma insurance, disability insurance, total and permanent disability insurance and major medical insurance.
Registered Office	Level 1, 33-45 Hurstmere Road Takapuna Auckland 0740
Company Number	3072505
Directors	J R Minto (Chairman) N E Ballantyne J M G Perry T O Bennett P Chrystall R A Coon (retired 2 April 2019) J A Fahey L W Jenkins K K Moorjani L D Parikh K Y See (alternate director for K K Moorjani or L D Parikh)
Auditor	KPMG 18 Viaduct HarbourAvenue Auckland
Bankers	Westpac New Zealand Limited 16 Takutai Square Auckland, 1010
Solicitors	Chapman Tripp 23 Albert Street Auckland 1140

Sponsors of the inaugural Rainbow Excellance Awards.
During the certification process, Rainbow Tick announced the inaugural Rainbow Excellence Awards. Beginning in 2018, these annual awards aim to recognise the incredible work being done by New Zealand organisations building a more inclusive community of workplaces. We immediately recognised the value in showcasing these success stories and we are proud to announce we have signed on as a sponsor to the awards.

Rainbow Tick achievement!

In December 2018, Partners Life was awarded the Rainbow Tick certification. The Rainbow Tick is a confidence mark given to organisations that have achieved a high level of diversity and inclusivity, specifically concerning their LGBTQI staff.

Financial Statements

Statement of Comprehensive Income

For the year ended 31 March In thousands of New Zealand Dollars	Note	2019	2018
Premium revenue			
Premium revenue	8	247,461	206,599
Less: Outward reinsurance expense	8	(143,073)	(123,130)
Net premium revenue		**104,388**	**83,469**
Reinsurance commission revenue	9	29,991	64,860
Investment revenue	10	4,915	4,953
Net revenue		**139,294**	**153,282**
Claims expense			
Claims expense	11	128,577	85,768
Less: Reinsurance recoveries	11	(70,030)	(43,779)
Net claims expense		**58,547**	**41,989**
Net movement in insurance contract assets and liabilities	14	(142,392)	(72,656)
Commission and operating expenses	12	168,982	144,179
Total expenses including movement in insurance contracts		**85,137**	**113,512**
Operating profit		**54,157**	**39,770**
Finance costs	20	144	-
Profit before income tax		**54,013**	**39,770**
Income tax expense	13	-	-
Total comprehensive income	**1**	**54,013**	**39,770**
Underlying insurance profit (non-statutory measure)			
Total comprehensive income		**54,013**	**39,770**
Less:			
Investment revenue	10	(4,915)	(4,953)
Changes to economic assumptions	6	(32,667)	(12,832)
Underlying insurance profit	**1**	**16,431**	**21,985**

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

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Statement of Financial Position

As at In thousands of New Zealand Dollars	Note	31 March 2019	31 March 2018
Assets			
Cash and cash equivalents	10	24,048	60,536
Trade and other receivables	15	45,613	32,805
Investments	10	102,000	100,000
Loans	16	1,134	1,312
Insurance contract assets	14	691,259	531,959
Property, plant and equipment	17	3,754	515
Intangible assets	18	8,938	3,932
Total Assets		**876,746**	**731,059**
Liabilities			
Trade and other payables	19	93,538	71,177
Lease liabilities	20	3,846	-
Insurance contract liabilities - reinsurance	14	156,194	199,539
Present value of future tax payable in insurance contract assets and liabilities	14	182,466	122,213
Total Liabilities		**436,044**	**392,929**
Net Assets		**440,702**	**338,130**
Equity			
Contributed capital	25	309,687	260,393
Retained earnings		131,015	77,737
Total Equity		**440,702**	**338,130**

For and on behalf of the Board who authorised the issue of this report on 24 June 2019.

J R Minto

Chairman of the Board

J M G Perry

Chairman of the Audit Committee

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

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Statement of Changes in Equity

For the year ended 31 March In thousands of New Zealand Dollars	Note	Contributed capital	Retained earnings	Total Equity
Balance at 1 April 2018		**260,393**	**77,737**	**338,130**
Impact of change in accounting policy	4	-	(735)	(735)
Adjusted balance 1 April 2018		**260,393**	**77,002**	**337,395**
Total comprehensive income		**-**	**54,013**	**54,013**
Transactions with owners of the Company				
Shares issued	25	46,000	-	46,000
Equity settled share based payments	25,26,27	3,294	-	3,294
Total transactions with owners of the Company		**49,294**	**-**	**49,294**
Balance at 31 March 2019		**309,687**	**131,015**	**440,702**
Balance at 1 April 2017		**186,297**	**37,967**	**224,264**
Total comprehensive income		**-**	**39,770**	**39,770**
Transactions with owners of the Company				
Shares issued	25	71,500	-	71,500
Equity settled share based payments	25,26,27	2,596	-	2,596
Total transactions with owners of the Company		**74,096**	**-**	**74,096**
Balance at 31 March 2018		**260,393**	**77,737**	**338,130**

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

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Statement of Cash Flows

For the year ended 31 March In thousands of New Zealand Dollars	**Note**	**2019**	**2018**
Cash flows from operating activities			
Premiums received		247,968	207,080
Reinsurance recoveries received		50,982	34,063
Reinsurance commission received		38,823	61,961
Interest received		4,472	4,426
Reinsurance premiums paid		(138,587)	(118,279)
Claims paid		(111,880)	(71,021)
Commission paid to advisers		(105,046)	(92,352)
Payments to suppliers and employees		(59,307)	(43,832)
Tax refunded		21	-
Net cash flow from operating activities	**23**	**(72,554)**	**(17,954)**
Cash flows from investing activities			
Net (increase) / decrease in loans to advisers		190	(396)
Net decrease / (increase) in receivables from group companies		(44)	505
Net advances to related parties		(647)	-
Net increase in investments		(2,000)	(50,000)
Net acquisition of property, plant and equipment	17	(554)	(273)
Net acquisition of intangible assets	18	(6,069)	(2,764)
Net cash flow from investing activities		**(9,124)**	**(52,928)**
Cash flows from financing activities			
Proceeds from issue of shares	25	46,000	71,500
Repayment of lease liabilities	20	(666)	-
Interest paid	20	(144)	-
Net cash flow from financing activities		**45,190**	**71,500**
Net decrease in cash and cash equivalents		**(36,488)**	**618**
Cash and cash equivalents at 1 April		60,536	59,918
Cash and cash equivalents at 31 March		**24,048**	**60,536**
Being:			
On demand bank deposits		8,048	5,036
Short term bank deposits		16,000	55,500
Cash and cash equivalents at 31 March		**24,048**	**60,536**

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

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Notes to the Financial Statements

1. Sources of profit

For the year ended 31 March In thousands of New Zealand Dollars	Note	2019	2018
Profits emerging under the Margin on Services ('MoS') methodology were as follows:			
Planned margins of revenues over expenses		23,603	19,771
Interest on net insurance contract assets		4,673	3,273
Experience variances		(11,845)	(1,059)
Underlying insurance profit		**16,431**	**21,985**
Investment revenue	10	4,915	4,953
Changes to economic assumptions	6	32,667	12,832
Total comprehensive income		**54,013**	**39,770**

2. Reporting entity

The Company is a profit-oriented company domiciled in New Zealand and registered under the Companies Act 1993. The Company is 100% owned by Partners Group Holdings Limited ('PGHL').

Financial statements for the Company for the year ended 31 March 2019 ('the financial statements') are presented. The Company is a reporting entity for the purposes of the Companies Act 1993 and the Financial Markets Conduct Act 2013, and its financial statements comply with these Acts. The Company is a licenced life insurer under the Insurance (Prudential Supervision) Act 2010 ('IPSA') and its financial statements also comply with this Act.

The annual report was authorised for issue by the Board on 24 June 2019.

3. Statement of compliance and reporting framework

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'), as a for-profit entity, and comply with International Financial Reporting Standards ('IFRS') and the New Zealand Equivalents to International Financial Reporting Standards (''NZ IFRS'').

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4. Basis of preparation

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

The financial statements have been prepared on a historical cost basis except for insurance contract assets and liabilities which are stated at actuarially assessed values.

The Company has adopted all new and revised mandatory standards, amendments and interpretations in the current year. None had a material impact on these financial statements.

NZ IFRS 9 Financial Instruments ('NZ IFRS 9') and NZ IFRS 15 Revenue from Customers became effective for the Company from 1 April 2018 and this is the first year in which these standards have been applied to these financial statements. Based on the Company's balance sheet and operations as at 31 March 2019, there has been no material change to the recognition, measurement and disclosure of the Company's financial instruments, or revenue.

There are a number of standards, amendments and interpretations which have been approved but are not yet effective. With the exception of NZ IFRS 16 Leases ('NZ IFRS 16') the Company expects to adopt these when they become due for adoption, and is assessing their impact on the financial statements.

The most significant of these is NZ IFRS 17 Insurance Contracts ('NZ IFRS 17') which was, when issued in August 2017, effective for annual periods beginning on or after 1 January 2021. NZ IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued, and will supersede NZ IFRS 4 Insurance Contracts ('NZ IFRS 4'). In November 2018 the International Accounting Standards Board ('IASB') agreed to defer the effective date of IFRS 17 until annual periods beginning on or after 1 January 2022. The IASB are also discussing further amendments in the first half of 2019 which will impact implementation. NZ IFRS 17 has yet to be amended by the NZ External Reporting Board however the Company's management expect this to occur in due course. Disclosure and measurement under NZ IFRS 17 may differ significantly from NZ IFRS 4 and as such the Company is not yet able to reasonably estimate the impact of NZ IFRS 17 on its financial statements. NZ IFRS 17 will also result in changes to presentation in the statement of financial performance and the statement of financial position. The Company is continuing impact and data gap analysis phases of its NZ IFRS 17 implementation project, which will further assist in determining the impact of NZ IFRS 17 on the financial statements.

Certain disclosure formats have been adjusted and where applicable comparative figures have been aligned to the new disclosure format.

With the exception of the accounting policy for leases (as below) the principal accounting policies adopted are consistent with those applied in the prior year.

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4. Basis of preparation (continued)

Changes in accounting policies

NZ IFRS 16 is effective for reporting periods beginning on or after 1 January 2019. The Company has elected to adopt the standard early with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company applied NZ IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2018. The details of the new accounting policy are disclosed as below and further in note 20.

As a lessee, under NZ IAS 17 Leases the Company previously recognised the payments associated with operating leases as an expense on a straight-line basis over the lease term. Under NZ IFRS 16 the Company recognises right-of-use assets and lease liabilities for most leases, however the Company has applied recognition exemptions to leases of low value assets, being low value office equipment, and periodic tenancy of premises outside of Auckland.

Right-of-use assets are measured at their carrying amount as if NZ IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application (1 April 2018). Right-of-use assets are amortised on a straight line basis across the term of the underlying lease.

The Company used the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- used hindsight when determining the lease term where the contract contains options to extend the lease.

Impacts on the financial statements

On transition to NZ IFRS 16, the Company recognised an additional $3,716 thousand of right-of-use assets and $4,512 thousand of lease liabilities, recognising the difference in retained earnings along with a $61 thousand adjustment for rent free period on inception.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 April 2018, of 3.43%.

In thousands of New Zealand Dollars	
Operating lease commitment as at 31 March 2018 as disclosed in the Company's financial statements	**958**
Less recognition exemption for leases of low-value assets	(116)
Remaining lease discounted using the incremental borrowing rate at 1 April 2018	782
Extension options exercised	3,846
Lease liabilities recognised at 1 April 2018	**4,512**

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5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Insurance contract assets and liabilities

Insurance contract assets and liabilities are valued using actuarial methods that take into account the risks and uncertainties of the particular classes of insurance business written (refer note 6).

The key factors that affect the estimated value of the insurance contract assets and liabilities are:

- The cost of providing benefits and administering the insurance contracts.
- The costs incurred in acquiring the insurance policies (acquisition costs), including adviser commissions, underwriting and policy issue costs.
- Mortality and morbidity experience on life insurance products.
- Discontinuance experience which affects the ability to recover acquisition costs.
- Reinsurance arrangements and timing of future cash flows under these arrangements, which include reinsurance expense, reinsurance recoveries and reinsurance commission revenue.
- Future premium rates.
- Use of tax losses and the ability to generate tax losses in the future.
- Other factors such as regulation, competition, interest rates, and general economic conditions which are used in the valuation of insurance contract assets and liabilities.

Share based payments

The value of shadow shares issued to advisers, and share options issued to key management personnel ('KMP'), have been calculated using a binomial option pricing model which uses a number of assumptions. Independent external advice was received on the volatility and risk-free rate assumptions which were applied in the model. Refer notes 26 and 27.

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6. Actuarial methods and assumptions

An actuarial report on insurance contract assets and liabilities, as at 31 March 2019, was prepared by A Gardiner ('the Actuary'), Fellow of the New Zealand Society of Actuaries ('FNZSA'), and signed on 24 June 2019. The report was reviewed by the Appointed Actuary, Alan Merten, Fellow of the Actuaries Institute Australia.

The actuarial report indicates that the Actuary was satisfied as to the accuracy of the data upon which the insurance contract assets and liabilities have been determined and the level of additional reserves for claims (net of reinsurance) included within Trade and other payables / Trade and other receivables.

Methods used in the valuation of insurance contract assets and liabilities

The Actuary certified that the value of insurance contract assets and liabilities, including reserves for claims, has been determined in accordance with methods and assumptions disclosed in the actuarial report and with Professional Standard No. 20 'Determination of Life Insurance Policy Liabilities' ('PS20') of the New Zealand Society of Actuaries.

Insurance contract assets and liabilities were measured as the present value of expected future cash flows plus allowances for the cost of policyholders electing to exercise various options in the future.

The profit carrier, net claims, was used as the basis on which to spread the expected future profit.

There have been no changes to the valuation methods used in the prior year.

Actuarial assumptions used in the valuation of insurance contract assets and liabilities

a) Discount rates

Benefits under the insurance contracts are not contractually linked to the performance of assets held. As a result, the insurance contracts were discounted for the time value of money using risk-free discount rates derived from returns on NZ government bonds as at the valuation date.

The risk-free rates (before tax) applied in the valuation process were monthly forward rates. Equivalent annual rates are:

As at 31 March Years from valuation date	**2019**	**2018**
1	1.58%	1.76%
5	1.71%	2.91%
10	2.43%	3.71%
15	2.83%	4.16%
20	3.04%	4.37%

b) Acquisition expenses

Acquisition expense assumptions were based on the actual acquisition expenses incurred for the year ending 31 March 2019.

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6. Actuarial methods and assumptions (continued)

c) Maintenance expenses

Maintenance expense assumptions were based on the Company's business plan for the period to 31 March 2023, allowing for new business expected. From April 2023, total expenses have been increased by a similar level to previous years, and the split of acquisition/maintenance expenses has changed to be in line with a more mature business over time (31 March 2018: 2.00% per annum inflation rate was used after March 2021).

d) Taxation

The future rate of taxation is assumed to be 28%, applicable after an initial period of 115 months (31 March 2018: 120 months) during which it was assumed $275 million of existing tax losses would be utilised (31 March 2018: $214 million).

This initial period was determined by projecting cash flows from business in-force at balance date, together with cash flows from future new business the Company is expecting to write, and including the best estimate of probable use of past losses available to carry forward which reflects shareholding changes that are currently forecast to occur in future.

Increasing the assumed tax free period by 12 months results in a $15.3m decrease to present value of future tax payable (and corresponding increase to present value of future planned margins of revenue over expenses). Decreasing the assumed tax free period by 12 months results in a $14.6m increase to present value of future tax payable (and corresponding decrease to present value of future planned margins of revenue over expenses).

e) Mortality and morbidity

Assumed mortality and morbidity rates vary by age, sex and smoking habits and have been based on the Company's experience and rates from reinsurer tables. The mortality claims assumption has reduced over the year, while the claims assumption for Disability Income and Medical has increased.

f) Lapses

Voluntary discontinuances were assumed to vary according to the age of the life insured and the length of time the policy has been in force, in line with the Company's expected experience taking into account other market information and matters specific to the Company. Longer duration lapse rate assumptions have increased over the past year.

The range of lapse rates for each related product group are tabled below.

As at 31 March Related product group	**2019**	**2018**
Life	2.58% - 14.44%	3.28% - 16.26%
Trauma	3.42% - 22.64%	3.83% - 24.06%
Total and permanent disability	2.33% - 29.08%	3.45% - 25.50%
Disability income	3.55% - 16.92%	3.45% - 17.10%
Medical	5.38% - 12.29%	4.50% - 12.89%

g) Indexation

Indexation of certain benefits (where applicable) was assumed to be 2.00% per annum (31 March 2018: 2.00% per annum), except for the calendar year 2019 where allowance was made for the rate of increase known to be applicable during that year.

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6. Actuarial methods and assumptions (continued)

h) Inflation

The inflation rate assumption was determined on a basis consistent with the medium to long term Reserve Bank of New Zealand ('RBNZ') inflation target of between 1% and 3%. The rate assumed was 2.00% per annum (31 March 2018: 2.00% per annum).

i) Premiums

Premium rates for non-medical policies are assumed to increase by an average of 4.00% in October 2019 followed by 1% in October 2021, 2022, and 2023. This assumption has changed from the prior year where non-medical policies were assumed to increase by 2.00% in October 2019 and 1.00% in October 2020.

j) Reinsurance

The cost of reinsurance is based on future expected mortality, morbidity and lapse assumptions and the commercial terms of the reinsurance treaties. The profit margins have changed by the movement in future cost of reinsurance due to changes in assumptions and actual experience.

Impact of changes in assumptions between 31 March 2018 and 31 March 2019

The following table shows the effect of changes in the actuarial assumptions on the present value of planned profit margins and insurance contract assets and liabilities as at, and total comprehensive income for the year ended, 31 March 2019. The effect is measured only on business in force at 31 March 2018, which remains in force at 31 March 2019.

For the year ended 31 March In thousands of New Zealand Dollars	Increase / (decrease) in the present value of future profit margins		Increase / (decrease) in Net insurance contract assets and Total comprehensive income	
	2019	**2018**	**2019**	**2018**
Assumption category:				
Discount rates and indexation	56,488	16,797	32,667	12,832
Lapses	(33,645)	(15,382)	-	-
Expenses	(293)	(2,987)	-	-
Tax	5,694	1,544	-	-
Premiums	47,738	(1,017)	-	-
Claims	(46,388)	550	-	-
Reinsurance	3,964	15,021	-	-
Model changes	(1,984)	2,934	-	-
Impact of changes in assumptions	**31,574**	**17,460**	**32,667**	**12,832**

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7. Risk management

The financial condition and operating results of the Company are exposed to a number of risks, the primary risks being insurance, credit, liquidity and capital risk.

The Company's primary objective is to manage risks to minimise any potential impact on policyholders and shareholders and comply with the risk management requirements of IPSA.

A risk management strategy has been put in place to identify and control risks, and to put in place processes and procedures to mitigate risks. The Company's appetite for and exposure to risks is regularly monitored by the Board, who also oversees the control framework the Company has put in place in order to manage these risks.

The Board established an Audit and Risk Committee ('ARC'), chaired by an independent, non-executive director.

The ARC was chartered to monitor and assess the Company's compliance with significant laws and regulations, the identification of key risks and initiation of actions to mitigate these risks in line with the Company's Risk Management Programme. The ARC also monitored the on-going management of these key risks.

The ARC was split into two separate committees on 2 April 2019, forming an Audit Committee and a Risk Committee.

The Company has an Asset and Liability Management Committee ('ALCO'), which meets on a regular basis to monitor and manage financial risks. The ALCO reports to the Board on a regular basis. A Statement of Investment Policy and Objectives and Treasury Policy ('SIPO') and a Capital Management Policy, both approved by the Board, establish parameters for the management of investment assets and solvency capital.

Insurance risk

Insurance risk is risk, other than financial risk, that is transferred from the holder of a contract to the issuer.

The Company's objectives in managing insurance risk are:

- To continuously meet internal and external solvency requirements.
- To utilise reinsurance to keep the retained portion of claims in line with the Company's risk appetite.
- To set premium rates, based on expected claims and expenses, that will ensure an appropriate return on capital.
- To maintain strong internal controls with respect to the underwriting of all new insurance business.
- To maintain claims management processes and controls to ensure that all valid claims are paid in a timely and accurate manner.

A number of variables give rise to insurance risk:

- Mortality and morbidity risk - Higher mortality rates and/or an increased incidence and duration of illness is likely to lead to higher claims expense, reducing profit and shareholder's equity.
- Discontinuance risk - The impact of a change in discontinuance rates depends upon the type of contract and duration in force, but generally an increase in the discontinuance rate will reduce profit and shareholder's equity.
- Expense risk - An increase in the level or growth of expenses over assumed levels will reduce profit and shareholder's equity.

7. Risk management (continued)

The table below illustrates the sensitivity of this year's profit and equity (before any compensating changes to premium rates) to changes in insurance risk variables.

As at 31 March In thousands of New Zealand Dollars	Change	2019 Before reinsurance	2019 After reinsurance	2018 Before reinsurance	2018 After reinsurance
Mortality and morbidity	+10%	(55,745)	(51,883)	(26,199)	(23,732)
	-10%	5,648	1,786	3,084	1,337
Discontinuance	+10%	-	-	-	-
	-10%	-	-	-	-
Maintenance expenses	+10%	-	-	-	-
	-10%	-	-	-	-

Insurance risk management

a) Reinsurance

The Company has entered into reinsurance treaties (the 'treaties') with SCOR Global Life SE ('SCOR') in respect of all insurance benefits sold, with the exception of medical benefits and group business (the latter being reinsured with a separate counterparty as set out below).

The treaties meet the definition of an insurance contract under NZ IFRS 4 as there is a significant transfer of insurance risk from the Company to SCOR through the reinsurance of an agreed percentage of insurance risks on all reinsured benefits up to automatic acceptance levels.

Further, SCOR bears lapse risk through the treaties. The treaties are designed to limit the Company's exposure to insurance risk to a level appropriate to its age and capital base.

Reinsurance premiums are paid to SCOR for benefits reinsured. A defined percentage of claims paid on reinsured benefits is recoverable from SCOR.

SCOR pays the Company a commission on the issue of new business covered by the treaties which contributes towards the costs of acquiring new insurance business in order that the Company can continue to write new business and continuously meet solvency standards.

Profits arising on the business reinsured are shared with the Company post experience account balance amortisation.

Treaty terms for new business are agreed periodically. If SCOR ceases to take new business under the treaties, it remains on risk for policies previously reinsured.

The Company has entered into separate reinsurance treaties for group risk business written by the Company. There are no commissions payable or profit share arrangements under this treaty; its purpose is to limit the claims risk in respect of group risk business written.

The Company has entered into a Pandemic Aggregate Stop Loss Reinsurance treaty which mitigates the risk of significant losses arising from concentrations of insurance risk due to pandemic events.

The Company has entered into a Per Event Excess Loss Reinsurance treaty which mitigates the risk of significant losses arising from concentrations of insurance risk due to a catastrophic, accidental event.

7. Risk management (continued)

Market conditions beyond the Company's control may impact the availability and cost of reinsurance. Accordingly, the Company may be forced to incur additional expenses for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms from SCOR or alternative reinsurers, in which case the Company would have to accept an increase in its exposure to insurance risk under new business, equity fund new business acquisition costs, reduce the amount of new business written or seek alternative arrangements.

b) Underwriting processes

Underwriting decisions are made in accordance with rules and procedures detailed in the Company's underwriting manual.

Such rules and procedures include limits to delegated authorities and signing powers for individual underwriters and limits over which individual cases must be referred to the Company's reinsurers for an underwriting decision.

Underwriting is monitored by the Technical Chief Underwriter and Underwriting GMs to ensure adequate controls are in place over the various processes and the effectiveness of those controls. The Company's reinsurers and underwriting management team carry out regular audits to ensure underwriting decisions made are in accordance with rules, limits and the Company's underwriting philosophy.

c) Claims management

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

The Company has established a Claims Review Committee, comprising KMP, to which claims staff are able to refer claims above their individual limits and any disputed claims for review.

Claims received over specified limits are also referred to the reinsurers for assessment and sign-off.

Concentration of insurance risk

Exposure to concentration of insurance risk is mitigated through surplus reinsurance provided by SCOR, which limits the Company's exposure to a maximum of $500 thousand per rider per life assured.

The table below illustrates the concentration of insurance risk based on six bands of life sums assured for each client.

As at 31 March	2019		2018	
Sum Assured	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
$0 - $250,000	9.1%	22.3%	9.7%	22.8%
$250,001 - $500,000	28.7%	77.7%	29.6%	77.2%
$500,001 - $1,000,000	39.9%	0.0%	38.9%	0.0%
$1,000,001 - $2,000,000	16.3%	0.0%	16.0%	0.0%
$2,000,001 - $5,000,000	5.5%	0.0%	5.2%	0.0%
Greater than $5,000,000	0.5%	0.0%	0.6%	0.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**

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7. Risk management (continued)

Market risk

Market risk is the risk of loss arising from changes in interest rates, currency exchange and prices of equity securities. The Company is not exposed to equity price risk or currency risk as it does not hold equity securities or have any assets or liabilities denominated in foreign currencies.

The Company is exposed to interest rate risk through revaluations in its insurance contract assets and insurance contract liabilities - reinsurance.

The table below illustrates the sensitivity of this year's profit and equity to changes in interest rate movement at year end.

As at 31 March In thousands of New Zealand Dollars	**Change**	**2019** Before reinsurance	**2019** After reinsurance	**2018** Before reinsurance	**2018** After reinsurance
Interest rate	+1%	(26,033)	(30,919)	(23,189)	(23,816)
	-1%	28,266	34,508	26,306	27,538

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to meet their contractual obligations as they relate to amounts recognised at balance date. The Company is exposed to credit risk from the investment of surplus capital, reinsurance recoverable on accrued claims, loans to advisers and trade receivables (amounts due from policyholders and advisers).

The maximum exposure to credit risk at balance date for each class of financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Credit risk management

The Company manages credit risk by adopting a conservative investment philosophy and spreading its exposures. The SIPO establishes minimum credit ratings and exposure limits for investment counterparties.

Currently, all surplus capital is invested in call and term deposit facilities, spread across a number of high credit quality registered banks. Reinsurance credit risk is managed by considering the current and a potential reinsurer's credit quality, as evidenced by their credit rating and balance sheet strength as well as their reputation in the market for paying claims.

Loans to advisers are secured against all assets of the borrower, refer note 16. No other collateral exists for any of the investments held by the Company.

Commission recoveries due from advisers are regularly reviewed and an allowance for expected credit losses is raised. Amounts due from advisers are disclosed net of expected credit losses in Trade and other receivables.

7. Risk management (continued)

Concentration of credit risk

Concentration of credit risk at balance date is shown in the table below:

In thousands of New Zealand Dollars	Aggregated credit exposure	Standard & Poor's credit rating
Institution: **As at 31 March 2019**		
Westpac New Zealand Limited	12,809	AA-
Bank of New Zealand	23,500	AA-
ANZ Bank New Zealand Limited	26,000	AA-
ASB Bank Limited	33,000	AA-
Kiwibank Limited	5,000	A
Rabobank New Zealand Limited	25,739	A
SCOR Global Life SE	39,218	AA-
Institution: **As at 31 March 2018**		
Westpac New Zealand Limited	35,014	AA-
Bank of New Zealand	16,000	AA-
ANZ Bank New Zealand Limited	33,500	AA-
ASB Bank Limited	32,001	AA-
Kiwibank Limited	24,500	A
Rabobank New Zealand Limited	19,521	A
SCOR Global Life SE	27,509	AA-

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

A reinsurer's insolvency, inability or refusal to make timely payments under the terms of its treaty with the Company could have a materially adverse effect on the Company's liquidity.

Liquidity risk management

The Company monitors liquidity risk by forecasting future daily cash requirements and ALCO regularly reviews these projections.

Liquidity risk is managed by maintaining a highly liquid portfolio of assets so that the Company has the ability to meet its financial obligations as they fall due.

The SIPO establishes a minimum holding of liquid assets, a maximum overall portfolio duration, and limits the asset classes that may be considered for investment. Term bank deposits are structured so that investments are maturing at regular intervals to accommodate future obligations and mitigate cash flow volatility e.g. higher than expected claims.

7. Risk management (continued)

Concentration of liquidity risk

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

In thousands of New Zealand Dollars	On demand	Less than 3 months	3 to 12 months	Greater than 1 year	Total
At 31 March 2019 Financial liabilities					
Expense creditors and accruals	-	4,218	913	-	**5,131**
Employee entitlements (excluding employee leave provisions)	-	-	3,898	-	**3,898**
Amounts due to group companies	84	-	-	-	**84**
Claim accruals and provisions	-	35,136	7,269	20,802	**63,207**
Trade creditors	281	16,994	-	-	**17,275**
Total Financial Liabilities	**365**	**56,348**	**12,080**	**20,802**	**89,595**
At 31 March 2018 Financial liabilities					
Expense creditors and accruals	-	3,602	1,708	-	**5,310**
Employee entitlements (excluding employee leave provisions)	-	-	3,766	-	**3,766**
Amounts due to group companies	84	-	-	-	**84**
Claim accruals and provisions	-	33,397	5,083	8,029	**46,509**
Trade creditors	304	11,857	-	-	**12,161**
Total Financial Liabilities	**388**	**48,856**	**10,557**	**8,029**	**67,830**

Refer note 14 for the estimated timing of net cash inflows from insurance contact assets and liabilities.

Capital risk

The primary objectives of the Company in the management of capital are to ensure that:

i. The Company continuously meets the requirements of the Solvency Standard for Life Insurance Business (the 'Solvency Standard') released by the RBNZ as part of IPSA.

ii. The interests of policyholders and creditors are protected.

iii. Shareholder value is created.

The Company is required to retain actual solvency capital of at least $5 million and maintain a positive solvency margin in each fund under the Solvency Standard. The Company's reinsurance treaties also impose minimum solvency requirements.

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7. Risk management (continued)

Capital risk management

The Board maintains overall responsibility for the management and monitoring of capital and the determination of the level of 'buffer' capital to be held in addition to the capital requirements of the Solvency Standard. A Target Surplus is established under the Capital Management policy for the purpose of monitoring and managing capital. Capital requirements are projected for the next four year period and are subjected to stress testing. ALCO regularly reviews these projections and reports to the Board at every Board meeting.

During the years ended 31 March 2019 and 31 March 2018, the Company complied with all externally imposed capital requirements.

As a means of protecting the interests of life insurance policyholders, IPSA requires licensed insurers to establish and maintain at least one statutory fund in respect of its life insurance business. The Company has established one statutory fund for its life insurance business. Medical insurance business and any other items that do not relate to contracts of life insurance are contained within the shareholder fund.

The solvency positions of the Company, the statutory fund and the shareholder fund determined under the requirements of the Solvency Standard are set out below.

As at 31 March 2019 In thousands of New Zealand Dollars	**Total**	**Statutory fund**	**Shareholder fund**
Actual solvency capital	**431,765**	334,264	97,501
Minimum solvency capital	**372,770**	303,837	68,933
Solvency margin	**58,995**	**30,427**	**28,568**
Solvency ratio	**116%**	110%	141%

As at 31 March 2018 In thousands of New Zealand Dollars	**Total**	**Statutory fund**	**Shareholder fund**
Actual solvency capital	**334,199**	193,181	141,018
Minimum solvency capital	**224,612**	175,608	49,004
Solvency margin	**109,587**	**17,573**	**92,014**
Solvency ratio	**149%**	110%	288%

8. Net premium revenue

Premium revenue

Premiums for insurance contract business are recognised as revenue on an accrual basis. The unearned portion of premium revenue is recognised in the Statement of Financial Position in Trade and other payables and in Insurance contract assets.

Outward reinsurance expense

Premiums ceded to reinsurers under reinsurance contracts are recorded as Outward reinsurance expense and are recognised when they become due and payable in accordance with the terms and conditions of the reinsurance contracts. The prepaid portion of premium ceded is recognised in the Statement of Financial Position in Trade and other receivables and in Insurance contract liabilities – reinsurance.

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9. Reinsurance commission revenue

Reinsurance commission revenue is inwards reinsurance commission on issued policies containing reinsured benefits, net of commission repayable as a result of policy discontinuances. It is recognised as revenue on an accrual basis.

10. Investments

Cash and cash equivalents comprise on call and term deposit facilities (under 5 months) subject to an insignificant risk of changes in value.

Investments comprise bank term deposits of 5 to 12 months in duration, designated at inception, and are recorded at cost.

Interest on loans relates to loans and other amounts due from advisers (refer note 16).

For the year ended 31 March In thousands of New Zealand Dollars	**2019**	**2018**
Interest on cash and cash equivalents and investments	4,899	4,858
Interest on loans	16	95
Total investment revenue	**4,915**	**4,953**

11. Net claims expense

Claims expense

Claims expense is recognised when the liability to a policyholder has been established, or when the Company has been notified of a claim event. A provision is made for claims that have not yet been reported. The claims provision for disability income products is calculated as the present value of estimated payments.

Reinsurance recoveries

Reinsurance recoveries are recognised as revenue at the same time the claim expense is recognised if the underlying policy is reinsured. Reinsurance recovery provisions are established for claims that have not yet been reported. The reinsurance recovery provision for disability income products is calculated as the present value of recoverable amounts.

12. Commission and operating expense

Commission paid to independent advisers, and the Company's operating expenses, have been apportioned between acquisition and maintenance costs which determines the timing of expense recognition.

Commission and operating expenses are recognised on an accrual basis.

Acquisition costs

Acquisition costs are the costs of acquiring new business, including adviser commission and similar distribution costs related to accepting, issuing and initially recording policies.

Acquisition costs are spread over the period in which insurance services are provided. The expense is recognised as a component of Net movement in insurance contract assets and liabilities in the Statement of Comprehensive Income. Unamortised acquisition costs are a component of insurance contract assets and liabilities in the Statement of Financial Position.

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12. Commission and operating expense (continued)

Maintenance costs

Maintenance costs are the costs of administering policies subsequent to sale including renewal and as earned commission and all other operating costs of the Company other than acquisition costs.

For the year ended 31 March In thousands of New Zealand Dollars	Note	2019	2018
Acquisition costs			
Commission		79,058	72,538
Equity settled share based payments to advisers	26	2,576	2,182
Other acquisition expenses		39,961	30,392
Total acquisition costs		**121,595**	**105,112**
Maintenance costs			
Commission		25,050	20,909
Other maintenance expenses		22,337	18,158
Total maintenance costs		**47,387**	**39,067**
Total commission and operating expenses		**168,982**	**144,179**

Included within Total commission and operating expenses are the following specific items:

For the year ended 31 March In thousands of New Zealand Dollars	Note	2019	2018
Contributions to defined contribution superannuation schemes		613	495
Equity settled share based payments to executive staff	27	718	453
Employee benefits		30,182	24,395
Operating lease expense		109	806
Amortisation of right of use assets		743	-
Amortisation of software assets		1,094	1,074
Movement in bad and doubtful debts		626	42
Donations		15	57

There were fees paid and payable to the Company's auditor, KPMG, of $239 thousand for the audit of financial statements (31 March 2018: $228 thousand), $55 thousand for the assurance over regulatory reporting (31 March 2018: $33 thousand).

13. Taxation

The discounted tax cash flows embedded in the Insurance contract assets and Insurance contract liabilities - reinsurance balances, are netted and disclosed separately in the Statement of Financial Position as Present value of future tax payable in insurance contract assets and liabilities.

The movement in Present value of future tax payable is included in Net movement in insurance contract assets and liabilities reported in the Statement of Comprehensive Income.

For the year ended 31 March In thousands of New Zealand Dollars	**2019**	**2018**
Reconciliation of prima facie income tax		
Profit before income tax	54,013	39,770
Income tax expense at statutory income tax rate of 28%	15,124	11,136
Reduction in income tax expense due to non-assessable net income	(38,900)	(19,513)
Income tax effect of changes in temporary differences not recognised	680	321
Income tax effect of net reinsurance items taxed under the financial arrangements regime	6,588	(1,867)
Income tax effect of current period tax losses not recognised	16,508	9,923
Income tax expense reported in the Statement of Comprehensive Income	-	-

The Company has income tax losses available to carry forward of $325 million (31 March 2018: $350 million).

The availability of income tax losses carried forward is subject to statutory requirements being met, including shareholder continuity rules. $84 million of tax losses carried forward from 31 March 2018 has been forfeited due to shareholding changes that occurred during the year. Future availability of tax losses could also be adversely affected by changes in ownership.

The Company has unrecognised deductible temporary differences of $8 million (31 March 2018: $5 million).

The Company has nil imputation credit as at balance date (31 March 2018: $21 thousand).

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14. Insurance contract assets and liabilities

Insurance contracts transfer significant insurance risks from the policyholder to the insurer.

The methodology used to determine the value of life insurance contract assets and liabilities is referred to as MoS, as set out in PS20.

MoS is designed to recognise profits on insurance as services are provided to policyholders and income is received. Profits are deferred and recognised over the life of the insurance policies, whereas losses are recognised immediately as they arise.

Insurance contract assets and liabilities reflect the present value of expected future premiums, claims, taxes and expenses, including profit margins to be released when earned in future periods.

The movement in insurance contract assets and liabilities during the period is recognised in the Statement of Comprehensive Income.

The discounted tax cash flows embedded in the Insurance contract assets and Insurance contract liabilities - reinsurance balances, are netted and disclosed separately in the Statement of Financial Position as Present value of future tax payable in insurance contract assets and liabilities.

The movement in Present value of future tax payable is included in Net movement in insurance contract assets and liabilities reported in the Statement of Comprehensive Income.

Details of the actuarial assumptions used in the calculation of insurance contract assets and liabilities are set out in note 6.

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14. Insurance contract assets and liabilities (continued)

The table below shows the discounted cash flows that comprise the insurance contract assets and liabilities, net of reinsurance and including profit margins.

As at 31 March In thousands of New Zealand Dollars	**2019**	**2018**
Net insurance contract assets contain the following components:		
Present value of future policy benefits	(1,608,408)	(1,308,971)
Present value of future expenses (including reinsurance)	(783,977)	(702,348)
Present value of future planned margins of revenues over expenses	(555,528)	(410,319)
Future tax payable	(182,466)	(122,213)
Present value of future premiums	3,486,509	2,756,951
Business valued using an accumulation model	(3,531)	(2,893)
Net insurance contract assets	**352,599**	**210,207**
Disclosed as:		
Insurance contract assets	691,259	531,959
Insurance contract liabilities - reinsurance	(156,194)	(199,539)
Present value of future tax payable within net insurance contract assets	(182,466)	(122,213)
Net insurance contract assets	**352,599**	**210,207**
Estimated discounted net cash inflows from net insurance contract assets		
Less than one year	7,273	(19,555)
One year to five years	33,466	(2,283)
Later than five years	311,860	232,045
Net insurance contract assets future net cash inflows	**352,599**	**210,207**

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14. Insurance contract assets and liabilities (continued)

Reconciliation of movements in insurance contract assets and liabilities

For the year ended 31 March In thousands of New Zealand Dollars	2019	2018
Insurance contract assets		
Opening insurance contract assets	531,959	408,283
Movement recognised in the Statement of Comprehensive Income	159,300	123,676
Closing insurance contract assets	**691,259**	**531,959**
Expected maturity within 12 months	54,447	49,568
Expected maturity greater than 12 months	636,812	482,391
Insurance contract assets	**691,259**	**531,959**
Insurance contract liabilities - reinsurance		
Opening insurance contract liabilities - reinsurance	(199,539)	(187,141)
Movement recognised in the Statement of Comprehensive Income	43,345	(12,398)
Closing insurance contract liabilities - reinsurance	**(156,194)**	**(199,539)**
Expected maturity within 12 months	(47,174)	(69,123)
Expected maturity greater than 12 months	(109,020)	(130,416)
Insurance contract liabilities - reinsurance	**(156,194)**	**(199,539)**
Present value of future tax payable within net insurance contract assets		
Opening present value of future tax payable	(122,213)	(83,591)
Movement recognised in the Statement of Comprehensive Income	(60,253)	(38,622)
Closing present value of future tax payable within net insurance contract assets	**(182,466)**	**(122,213)**
Expected maturity greater than 12 months	(182,466)	(122,213)
Present value of future tax payable within net insurance contract assets	**(182,466)**	**(122,213)**
Reconciliation of movements in net insurance contract assets and liabilities		
Net insurance contract assets		
Opening net insurance contract assets	210,207	137,551
Movement recognised in the Statement of Comprehensive Income	142,392	72,656
Closing net insurance contract assets	**352,599**	**210,207**

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15. Trade and other receivables

As at 31 March In thousands of New Zealand Dollars	Note	2019	2018
Sundry debtors and prepayments		1,330	1,067
Accrued investment income		1,799	1,354
Amounts due from related parties	22	691	-
Reinsurance premiums paid in advance		1,222	1,198
Reinsurance recoverable on accrued claims		39,212	27,723
Trade receivables:			
Due from reinsurers		18	9
Due from advisers		413	276
Due from policy holders		928	1,178
Trade and other receivables		**45,613**	**32,805**
Expected maturity within 12 months		30,501	26,902
Expected maturity greater than 12 months		15,112	5,903
Trade and other receivables		**45,613**	**32,805**

Amounts due from advisers are shown net of a $435 thousand (31 March 2018: $197 thousand) provision for expected credit losses under NZ IFRS 9. The gross amount of the impaired receivables is $435 thousand (31 March 2018: $197 thousand).

16. Loans

As at 31 March In thousands of New Zealand Dollars	2019	2018
Secured loans to advisers	1,134	1,312
Total Loans	**1,134**	**1,312**
Expected maturity within 12 months	1,134	1,312
Expected maturity greater than 12 months	-	-
Total Loans	**1,134**	**1,312**

From time to time the Company will enter into loan agreements with advisers. The majority of loans are for a maximum term of three years, with interest charged at market rates. Loans are secured against all of the assets of the borrower and most are also subject to personal guarantees.

Loans are shown net of a $nil (31 March 2018: $12 thousand) provision for expected credit losses under NZ IFRS 9. The gross amount of the impaired receivables is $nil (31 March 2018: $12 thousand).

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17. Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the period for which benefits are expected to be derived, which is assessed to be between three to seven years. Cost comprises all directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management.

In thousands of New Zealand Dollars	Leasehold improvements	Office furniture and equipment	Computer equipment	Right-of-use assets - property	Total
Gross carrying value					
Balance at 1 April 2018	237	405	515	-	**1,157**
Additions	125	190	239	-	**554**
Impact of change in accounting policy	-	-	-	6,070	**6,070**
Disposals and write-offs	-	(213)	(67)	-	**(280)**
Balance at 31 March 2019	**362**	**382**	**687**	**6,070**	**7,501**
Accumulated depreciation					
Balance at 1 April 2018	94	288	260	-	**642**
Depreciation expense	36	57	195	743	**1,031**
Impact of change in accounting policy	-	-	-	2,354	**2,354**
Disposals and write-offs	-	(213)	(67)	-	**(280)**
Balance at 31 March 2019	**130**	**132**	**388**	**3,097**	**3,747**
Net carrying value at 31 March 2019	**232**	**250**	**299**	**2,973**	**3,754**

KPMG

17. Property, plant and equipment (continued)

In thousands of New Zealand Dollars	Leasehold improvements	Office furniture and equipment	Computer equipment	Right-of-use assets - property	Total
Gross carrying value					
Balance at 1 April 2017	211	325	595	-	**1,131**
Additions	26	81	169	-	**276**
Disposals and write-offs	-	(1)	(249)	-	**(250)**
Balance at 31 March 2018	**237**	**405**	**515**	**-**	**1,157**
Accumulated depreciation					
Balance at 1 April 2017	62	256	362	-	**680**
Depreciation expense	32	33	139	-	**204**
Disposals and write-offs	-	(1)	(246)	-	**(247)**
Loss on disposal	-	-	5	-	**5**
Balance at 31 March 2018	**94**	**288**	**260**	**-**	**642**
Net carrying value at 31 March 2018	**143**	**117**	**255**	**-**	**515**

18. Intangible assets

Computer software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the period for which benefits are expected to be derived, which is assessed to be three or five years. Cost comprises all directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management.

In thousands of New Zealand Dollars	Computer software	Other intangible assets	Total
Gross carrying value			
Balance at 1 April 2018	12,382	230	**12,612**
Additions	6,126	-	**6,126**
Disposals and write-offs*	(6,236)	(155)	**(6,391)**
Balance at 31 March 2019	**12,272**	**75**	**12,347**
Accumulated amortisation			
Balance at 1 April 2018	8,493	187	**8,680**
Amortisation expense	1,094	19	**1,113**
Disposals and write-offs*	(6,229)	(155)	**(6,384)**
Balance at 31 March 2019	**3,358**	**51**	**3,409**
Net carrying value at 31 March 2019	**8,914**	**24**	**8,938**

*The majority of disposals were assets which were fully amortised.

KPMG

18. Intangible assets (continued)

In thousands of New Zealand Dollars	Computer software	Other intangible assets	Total
Gross carrying value			
Balance at 1 April 2017	9,618	230	**9,848**
Additions	2,764	11	**2,775**
Disposals and write-offs	-	(11)	**(11)**
Balance at 31 March 2018	**12,382**	**230**	**12,612**
Accumulated amortisation			
Balance at 1 April 2017	7,419	171	**7,590**
Amortisation expense	1,074	16	**1,090**
Balance at 31 March 2018	**8,493**	**187**	**8,680**
Net carrying value at 31 March 2018	**3,889**	**43**	**3,932**

19. Trade and other payables

As at 31 March In thousands of New Zealand Dollars	Note	2019	2018
Expense creditors and accruals		5,131	5,370
Employee entitlements		5,405	4,874
Amounts due to related parties	22	84	84
Claim accruals and provisions		63,207	46,509
Unearned premiums		2,436	2,178
Trade creditors:			
Due from advisers		2,302	3,104
Due from reinsurers		14,973	9,058
Trade and other payables		**93,538**	**71,177**
Expected maturity within 12 months		72,736	63,148
Expected maturity greater than 12 months		20,802	8,029
Trade and other payables		**93,538**	**71,177**

20. Commitments

Capital commitments

The Company has commitments for the purchase of intangible assets and property, plant and equipment at 31 March 2019 of $700 thousand (31 March 2018: $1,960 thousand).

Lease commitments

The Company leases office premises. The lease initial lease term was 4 years, with one renewal option of four years. The Company has exercised this renewal option with effect from 1 April 2019.

The lease liability at 31 March 2019 relating to this commitment is $3,846 thousand with a corresponding right-of-use asset valued at $2,973 thousand. Refer to Note 4 Changes to accounting policies for information on the treatment of leases.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, and is subsequently depreciated using the straight-line method from commencement date to the end of the lease term.

The lease liability is measured at the present value of the lease payments for the lease term, discounted using the Company's incremental borrowing rate which has been assessed at 3.43%.

The Company presents right-of-use assets in Property, plant and equipment (refer note 17) and lease liabilities on the Statement of Financial Position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets, including low value office equipment, and short term leases, for office facilities. The Company recognises the lease payments associated with these low value and short term leases as an expense on a straight-line basis over the lease term in accordance with permitted exemptions under NZ IFRS 16.

As at 31 March In thousands of New Zealand Dollars	**2019**
Contractual undiscounted cash flows	
Less than one year	993
Between one and two years	1,018
Between two and three years	1,044
Between three and four years	1,070
Total undiscounted lease liabilities	**4,125**
Lease liabilities included in the statement of financial position	
Current	875
Non-current	2,971
Total lease liabilities included in the statement of financial position	**3,846**

KPMG

20. Commitments (continued)

For the year ended 31 March In thousands of New Zealand Dollars	**2019**
Interest on lease liabilities	144
Expenses relating to leases of low-value assets	116
Total amounts recognised in statement of comprehensive income	**260**
Interest on lease liabilities	144
Repayment of lease liabilities	666
Payments relating to leases of low-value assets	116
Total cash outflow for leases	**926**

21. Contingent liabilities

The Company has no material cotingent liabilities as at 31 March 2019, or 31 March 2018.

22. Related parties

Transactions

The remuneration of directors and other key management personnel (being those persons having authority and responsibility for planning, directing and controlling the activities of the Company) during the year was as follows:

For the year ended 31 March In thousands of New Zealand Dollars	**Note**	**2019**	**2018**
Short-term employee benefits		9,560	7,480
Share based payments	27	718	453
Fees paid to non-executive directors		372	383
Total compensation		**10,650**	**8,316**

Directors and other related parties have policies underwritten by the Company in the normal course of business. For all KMP excluding non-executive directors the premium value of the policies written forms part of the remuneration package, and short-term employee benefits above. Any claims are paid out as made, on usual commercial terms.

22. Related parties (continued)

Details of transactions between the Company and other related parties are disclosed below.

For the year ended 31 March In thousands of New Zealand Dollars	Note	2019 Received/(paid)	2018 Received/(paid)
Partners Group Holdings Limited			
Equity contribution	25	49,294	74,096
Directors, their associated entities and related parties			
Net commissions		(167)	(69)
Secured commission advance		37	(37)

The Company pays all fees for the audit of financial statements on behalf of PGHL and its subsidiaries.

The transactions were made on commercial terms in the normal course of business.

As at 31 March In thousands of New Zealand Dollars	Note	2019 Receivable/ (payable)	2018 Receivable/ (payable)
Balances with related parties			
Unique Solutions and Advice Limited (fellow subsidiary)	19	(84)	(84)
Evince Limited (fellow subsidiary)		44	-
Directors, their associated entities and related parties		-	37
Loans to directors and key management personnel		647	-

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23. Reconciliation of net profit after tax to cash flows from operating activities

For the year ended 31 March In thousands of New Zealand Dollars	**2019**	**2018**
Net profit after tax	**54,013**	**39,770**
Non-cash items and non-operating items:		
Depreciation	1,031	204
Loss on disposal of property, plant and equipment	-	5
Amortisation of intangible assets	1,113	1,090
Gain on disposals of intangible assets	(50)	-
IFRS16 rent-free period adjustment	61	-
Equity settled share based payments	3,294	2,596
Net advances to group companies	44	-
Net advances to related parties	647	-
Interest expense	144	-
Provision for doubtful debts on loans	(12)	(31)
Movement in insurance contract assets and liabilities:		
Movement in insurance contract assets	(159,300)	(123,676)
Movement in insurance contract liabilities - reinsurance	(43,345)	12,398
Movement in present value of future tax payable within net insurance contract assets and liabilities	60,253	38,622
Movements in working capital:		
Increase in Trade and other receivables	(12,808)	(8,964)
Increase in Trade and other payables	22,361	20,032
Net cash flows from operating activities	**(72,554)**	**(17,954)**

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24. Disaggregated information

IPSA requires a life insurer to allocate the operating profit or loss of a statutory fund (in accordance with the regulations) and identify any capital payments made to, or distributions from, a statutory fund. The table below presents disaggregated information in compliance with these requirements. There were no distributions made from the statutory fund in the current year (31 March 2018: nil).

Solvency information for the Company's statutory and shareholder funds is disclosed in the Capital risk section of note 7.

The Company has established one statutory fund for its life insurance business. Medical insurance business and any other items that do not relate to contracts of life insurance are contained within the shareholder fund.

In thousands of New Zealand Dollars	Statutory fund	Shareholder fund	Total
For the year ended 31 March 2019			
Premium revenue	201,817	45,644	**247,461**
Investment revenue	1,679	3,236	**4,915**
Claims expense	97,085	31,492	**128,577**
Commission and other operating expenses	142,074	26,908	**168,982**
Profit before tax	42,813	11,200	**54,013**
Profit after tax	42,813	11,200	**54,013**
Capital payments made to funds	98,271	(48,977)	**49,294**
As at 31 March 2019			
Investment assets	79,144	46,904	**126,048**
Insurance contract assets	602,760	88,499	**691,259**
Other assets	41,665	17,774	**59,439**
Insurance contract liabilities - reinsurance	156,194	-	**156,194**
Other liabilities	233,112	46,738	**279,850**
Retained profits / (losses) directly attributable to shareholders	141,631	(10,616)	**131,015**
Contributed capital	192,632	117,055	**309,687**

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24. Disaggregated information (continued)

In thousands of New Zealand Dollars	Statutory fund	Shareholder fund	Total
For the year ended 31 March 2018			
Premium revenue	168,920	37,679	**206,599**
Investment revenue	1,215	3,738	**4,953**
Claims expense	60,666	25,102	**85,768**
Commission and other operating expenses	120,081	24,098	**144,179**
Profit before tax	31,857	7,913	**39,770**
Profit after tax	31,857	7,913	**39,770**
Capital payments made to funds	33,371	40,725	**74,096**
As at 31 March 2018			
Investment assets	50,783	109,753	**160,536**
Insurance contract assets	465,722	66,237	**531,959**
Other assets	30,193	8,371	**38,564**
Insurance contract liabilities - reinsurance	199,539	-	**199,539**
Other liabilities	153,980	39,410	**193,390**
Retained profits / (losses) directly attributable to shareholders	98,818	(21,081)	**77,737**
Contributed capital	94,361	166,032	**260,393**

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25. Contributed capital

For the year ended 31 March	In thousands of Sharess		In thousands of New Zealand Dollars	
	2019	2018	2019	2018
Ordinary capital				
Balance at 1 April	250,030	178,530	260,393	186,297
Shares issued	46,000	71,500	46,000	71,500
Equity settled share based payments to key management personnel	-	-	718	414
Equity settled share based payments to advisers	-	-	2,576	2,182
Total contributed capital	**296,030**	**250,030**	**309,687**	**260,393**

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

26. Share-based payments with advisers

The Company has shadow share schemes for eligible independent financial advisers which provides additional commission payments on a deferred basis. It is designed to encourage advisers to write high quality business to enable the Company to maintain strong persistency over a number of years. The entitlements carry no voting rights as they do not represent an ownership interest in the Company. Entitlements earned are equal to the notional gain in the value of shares in PGHL between the allocation date and the date when the entitlement is paid. The entitlements will be settled in cash.

The number of shadow shares granted is calculated in accordance with scheme rules and includes performance factors such as: production net of lapses, issued annual premium and persistency levels.

PGHL, through a Deed of Agreement with the Company, has undertaken to bear the liability to advisers arising under the scheme. PGHL will utilise the proceeds of new shares issued to discharge the liability. The Company has no obligation to reimburse or repay PGHL. The option fair value of shadow shares at grant date is recognised as a commission expense with a corresponding increase in equity.

At balance date the intrinsic value of vested shadow share schemes is $1,265 thousand being scheme 1 tranche 4, which is a liability of PGHL. PGHL settled the liability for tranche 4 on 18 April 2019. At 31 March 2018 the intrinsic value of vested shadow share schemes was $2,228 thousand being scheme 1 tranche 3.

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26. Share-based payments with advisers (continued)

Movements in shadow shares during the year

The following table reconciles the shadow shares outstanding at the beginning and end of the year.

For the year ended 31 March (In thousands of shares)	Scheme 1		Scheme 2	
	Tranche 3	Tranche 4	Tranche 1	Tranche 2
Balance at 1 April 2018	**1,349**	**885**	**1,519**	**-**
Granted	-	-	-	1,881
Paid	(1,273)	-	-	-
Forfeited	(76)	(42)	-	
Balance at 31 March 2019	**-**	**843**	**1,519**	**1,881**
Remaining term until options vest	0 months	0 months	24 months	36 months
Balance at 1 April 2017	**1,349**	**885**	**-**	
Granted	-	-	1,519	
Paid	-	-	-	
Forfeited	-		-	
Balance at 31 March 2018	**1,349**	**885**	**1,519**	
Remaining term until options vest	0 months	12 months	36 months	

Value of shadow shares granted

The option fair value of shadow shares granted were valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end 'payoff' to reflect conditional outcomes applicable to the scheme at balance date.

At balance date, all tranches were revalued using a share price of $5.50 per share (31 March 2018: $5.50 per share), which reflects the Board's best estimate of fair value for the shadow shares. The revaluation also incorporates an update to the time to maturity input to reflect management's best estimate as to when each of the tranches will be paid out.

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26. Share-based payments with advisers (continued)

The inputs used in the option fair value at grant date were as follows:

Inputs used	Scheme 1		Scheme 2	
	Tranche 3	Tranche 4	Tranche 1	Tranche 2
Grant date	31/03/2014	31/03/2015	31/03/2018	31/03/2019
Number of shares (in thousands)	1,349	885	1,519	1,881
Option fair value at grant date	1.30	1.32	1.44	1.37
Grant date share price of PGHL	3.75	4.00	5.50	5.50
Exercise price	3.75	4.00	5.50	5.50
Expected volatility	50%	45%	35%	35%
Time to maturity	3 years	3 years	3 years	3 years
Dividend yield	-	-	-	-
Risk-free interest rate	4.08%	3.16%	2.37%	1.41%

The exercise price is based on the value of the shares of PGHL, as determined by the Board, at grant date.

The expected volatility is the expected volatility of the PGHL share price. The volatility assumption has been determined by considering comparable share price volatilities of Australasian and international insurance companies as well as the Company's maturity and external regulatory environment.

27. Share-based payments with employees

The Company has three equity settled share-based employee payment plans, which are accounted for as options, for eligible executives. They are designed to incentivise and retain key executives and to encourage a focus on the Company's goals. Each of these plans is to be settled by delivery of PGHL shares.

Partners Life Executive LTI Plan

The Partners Life Executive LTI Plan ('Executive LTI Plan') was designed to incentivise and retain key executives and to encourage a focus on long term results and the Company's strategic plan.

Shares in PGHL were issued to key executives in July 2012, at an issue price of $2.25, funded by an interest free loan from PGHL. Shares issued to key executives were held on trust by PGH Shareplan Trustee Limited.

The vesting conditions comprising completion of a defined period of service, growing the share price of PGHL to a defined level and an equity raising hurdle were met for all 1,025 thousand of the share entitlements. The scheme was net settled by the sale of 419 thousand shares to fund the repayment of the loans, with the remaining 606 thousand shares transferred to the executives in October 2018.

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27. Share-based payments with employees (continued)

Partners Group Holdings Limited Share Option Plan

The Partners Group Holdings Limited Share Option Plan ('Share option plan') is designed to retain targeted senior executives and align the incentives of the participants with the interests of the PGHL shareholders. Invited participants were issued with options to subscribe for ordinary shares in PGHL under the rules of the plan.

The vesting conditions comprise the achievement of a PGHL share price performance hurdle set by the Board and the employee remaining employed by the Group at exercise date. If the performance hurdle and service requirements are met, the participants have the right to exercise their options to purchase ordinary shares in PGHL at a defined exercise price.

Participants also have the option to select a net settlement alternative whereby they will be issued a number of shares which reflects the difference between the exercise price and the value of PGHL shares at the time the options are exercisable, for nil consideration.

The performance hurdle has been met for all tranches of the share options, and participants have until 31 July 2019 to exercise these options to purchase ordinary shares in PGHL.

Partners Life Long Term Incentive Plan

The Partners Life Long Term Incentive Plan ('LTI plan (2017)') is designed to assist in the reward, retention and motivation of targeted senior executives and align the incentives of the participants with the interests of the PGHL shareholders. Invited participants are issued with rights to ordinary shares in PGHL under the rules of the plan.

The plan rules contain vesting conditions which comprise the achievement of performance hurdles set by the Board and the participant remaining employed for the specified service period.

If the vesting conditions are met, the participants have the right to exercise their share rights and be issued shares in accordance with the plan rules subject to a defined liquidity event having occurred.

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27. Share-based payments with employees (continued)

Movements in option plans during the year

The following table reconciles the options outstanding at the beginning and end of the year.

For the year ended 31 March (In thousands of shares)	Executive LTI plan	Share option plan			LTI plan (2017)	
	Tranche 1	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
Balance at 1 April 2018	**1,025**	**830**	**45**	**237**	**3,042**	**-**
Granted	-	-	-	-	-	154
Exercised	(1,025)	(830)	(45)	(101)	-	-
Forfeited	-	-	-	-	-	(154)
Balance at 31 March 2019	**-**	**-**	**-**	**136**	**3,042**	**-**
Remaining term until options vest	0 months	0 months	0 months	0 months	40 months	n/a
Balance at 1 April 2017	**1,025**	**830**	**45**	**269**	**-**	
Granted	-	-	-	-	**3,042**	
Exercised	-	-	-	-	-	
Forfeited	-	-	-	(32)	-	
Balance at 31 March 2018	**1,025**	**830**	**45**	**237**	**3,042**	
Remaining term until options vest	4 months	0 months	0 months	0 months	52 months	

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27. Share-based payments with employees (continued)

Value of options granted

The option fair value determined at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity.

The option fair value of entitlements granted were valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end 'payoff' to reflect conditional outcomes applicable to each plan's rules at balance date.

The inputs used in the measurement of the option values of entitlements granted were as follows:

	Executive LTI plan	Share option plan			LTI plan (2017)	
	Tranche 1	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
Grant date	31/07/2012	18/10/2013	31/07/2014	17/09/2015	27/11/2017	31/07/2017
Number of options originally granted (in thousands)	1,025	1,190	45	310	3,042	154
Option fair value at grant date	$0.64	$0.79	$1.27	$0.97	$1.79	$1.79
Grant date share price of PGHL	$2.25	$3.00	$3.75	$3.25	$5.25	$5.50
Exercise price	$2.25	$3.00	$3.00	$3.25	$0.00	$0.00
Expected volatility	50%	50%	50%	45%	35%	35%
Time to maturity	3 years	2.75 years	2 years	3 years	4.33 years	3.67 years
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	2.63%	3.33%	3.89%	2.63%	2.41%	2.41%

The expected volatility is the expected volatility of the PGHL share price. The volatility assumption has been determined by considering comparable share price volatilities of Australasian and international insurance companies as well as the Company's maturity and external regulatory environment.

28. Events after reporting date

There are no events subsequent to 31 March 2019 that have a material impact on the financial statements at 31 March 2019.

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Corporate Governance Statement

The Board recognises the importance of good corporate governance, particularly its role in protecting the interests of all stakeholders and delivering improved performance.

Directors are appointed by PGHL. In turn, directors of PGHL are appointed or ratified by the shareholders of PGHL.

Responsibilities of the Board

The Board is responsible for establishing, monitoring and updating the Company's corporate governance framework, and is committed to carrying out this role in accordance with best practice and all applicable laws and regulations.

The Board has the dual responsibilities of protecting the Company's policyholders, and controlling and monitoring the operations of the Company on behalf of the shareholders of PGHL. The Board's performance is reviewed annually.

A Board Charter sets out the Board's role and responsibilities and regulates Board procedures.

Specific responsibilities of the Board include:

- Ensuring the Company continuously meets the requirements for licensed insurers set by the RBNZ.
- Setting strategic goals and establishing business plans, as well as monitoring performance against those goals and plans.
- Monitoring the performance of the Managing Director and the senior management team.
- Setting delegated levels of authority for the Managing Director and senior management team.
- Overseeing the financial position of the Company, including capital management and approving and monitoring capital expenditure.
- Ensuring all appropriate policies, controls, systems and procedures are in place to manage business risks and to ensure compliance with all regulatory, prudential and ethical standards.
- Approving annual and half yearly accounts and other regulatory reporting (such as solvency returns).
- Identifying risks and initiating action to mitigate and manage risks in line with the Company's Risk Management Programme and reporting any material changes in that programme to the RBNZ as required.
- Maintaining the highest business standards and ethical behaviour.
- Reviewing and approving remuneration policy and incentive programmes for employees.
- Completing fit and proper assessments for all directors and relevant officers (Managing Director, Chief Financial Officer and Appointed Actuary) in accordance with the Company Fit and Proper Person Policy and the RBNZ fit and proper requirements.

Structure of the Board

The Board comprises two executive directors and eight non-executive directors. The Board's collective experience includes a balance of insurance, management, financial, investment, administrative and market expertise appropriate for the requirements of the Company.

All directors are certified under the RBNZ fit and proper requirements, in line with the Company's Fit and Proper Person Policy.

More than half of the directors are independent (as defined in the RBNZ Governance Guidelines for Licensed Insurers), as noted in the table below which sets out the qualifications and experience of each director.

Director	Roles	Biography
Jim Minto Appointed 1 Feb 2017	Chairman and Non-Executive Director (Independent) Chair of Nominations Committee Chair of Human Resources and Remuneration Committee Chair of Conduct and Culture Committee Member of Audit Committee, and Risk Committee	*Jim Minto is an experienced director with a demonstrated history of working at Chief Executive Officer and Managing Director level in the New Zealand, Australian and Asian financial services industries for over 26 years. Jim retired in 2015 as the Group Chief Executive Officer and Managing Director of TAL (formerly Tower Australia). TAL is 100% owned by Dai-ichi Life, a major global Japanese-based life insurer. Jim has an intimate understanding and passion for life insurance.* *Jim is a director of Singapore based Dai-ichi Life Asia Pacific, director of National Disability Insurance Agency (Australia), director of Swiss Re Life & Health Australia Ltd, member of Advisory Board of Swiss Reinsurance Company Ltd, Australia and non-executive director (Deputy Chair) of EQT Holdings Limited.* *Jim is a fellow of the Australian and New Zealand Institute of Accountants and graduate member of the Australian Institute of Company Directors.*
Naomi Ballantyne Appointed 14 Dec 2010	Managing Director Member of Human Resources and Remuneration Committee and Nominations Committee	*Naomi Ballantyne was a founding employee of Sovereign and helped lead its corporate culture during her time there.* *Naomi founded Club Life in 2001 and continued to lead the company for five years after she sold it to ING (NZ) Ltd in 2004, during which time ING Life experienced rapid growth to become the second largest life insurance company in New Zealand by new business market share.* *Naomi left ING Life in September 2009 to build a new, nationwide advisory business called US Advice. US Advice was acquired by PGHL in August 2011 to become the base for the Group's adviser services arm.* *Naomi was awarded the New Zealand Order of Merit (ONZM) in 2017 for services to the insurance industry.*

Director	Roles	Biography
Joanna Perry Appointed May 2011	Non-Executive Director (Independent) Chair of Audit Committee, and Risk Committee Member of Human Resources and Remuneration Committee, Conduct and Culture Committee and Nominations Committee	*Joanna Perry is Chair of Oyster Property Group, Deputy Chair of Regional Facilities Auckland and a non-executive director of Genesis Energy and Nyriad Limited. She also chairs the IFRS Advisory Council. Her previous directorships include Trade Me, Kiwi Property Group, Sport New Zealand and Rowing New Zealand.* *Before embarking on her governance career Joanna was a partner at KPMG. She has also been a member of the Securities Commission and Chair of the Financial Reporting Standards Board.* *Joanna is a Chartered Fellow of the Institute of Directors. She holds a Master of Arts, Economics, from Cambridge University, qualified as a member of the Institute of Chartered Accountants in England and Wales and is a fellow of the New Zealand Institute of Chartered Accountants.* *Joanna has been awarded Membership of the New Zealand Order of Merit (MNZM) for services to accounting.*
Tim Bennett Appointed 18 Dec 2017	Non-Executive Director (Independent) Member of Risk Committee	*Tim Bennett is an executive and strategic adviser with extensive experience in capital markets and retail financial services. He is currently the CEO of AIX, a new exchange developed as part of the Astana International Financial Centre.* *Tim was previously Chief Executive of NZX and a partner at both Olive Wyman and the Boston Consulting Group variously in New Zealand, the USA and South East Asia.* *Tim holds an MBA (Strategy and Finance) from Wharton School, University of Pennsylvania and a BCA (Computer Science, Business Administration) from Victoria University of Wellington.*

Director	Roles	Biography
Paul Chrystall Appointed 5 Nov 2012	Non-Executive Director	*Paul Chrystall is the Managing Director of the private equity firm Maui Capital Limited. As part of this role he sits on the boards of various Maui Capital investments.* *Before co-founding Maui Capital in 2008, Paul was Head of Private Equity at Goldman Sachs JB Were (New Zealand) where he founded and managed the Hauraki Private Equity Funds. Prior to his career in private equity, Paul held a number of senior positions across diversified industries in New Zealand and the United Kingdom. In these positions he focused on finance management, restructure and turn around, mergers and acquisitions, valuation and investment, performance management and investment strategy.* *Paul holds a Bachelor of Commerce from the University of Auckland.*
Richard Coon Appointed 1 Nov 2017 Retired 2 Apr 2019	Executive Director	*Richard Coon, (BA, MBA, FCA), is a qualified Chartered Accountant with a Harvard MBA. Richard started his management career with Xerox in the UK until he discovered his entrepreneurial spirit and founded one of the UK's leading personnel management software companies.* *Richard moved to NZ as Finance Director of Sovereign Assurance, the company founded by his brother Chris Coon a few years earlier. Following the sale of Sovereign, Richard and Chris founded Seniors Money International, a company specialising in home equity release both in NZ and overseas.* *In 2010 Richard, Chris and Naomi Ballantyne founded Partners Life, where Richard was initially the Finance Director. Richard retired from his Partners Life Director position in April 2019 to pursue other interests.* *Richard is also a Trustee of the Laurie Coon Foundation, dedicated to helping young New Zealanders achieve their aspirations and is Founding Chairman of Angel Investors Marlborough (AIM).*

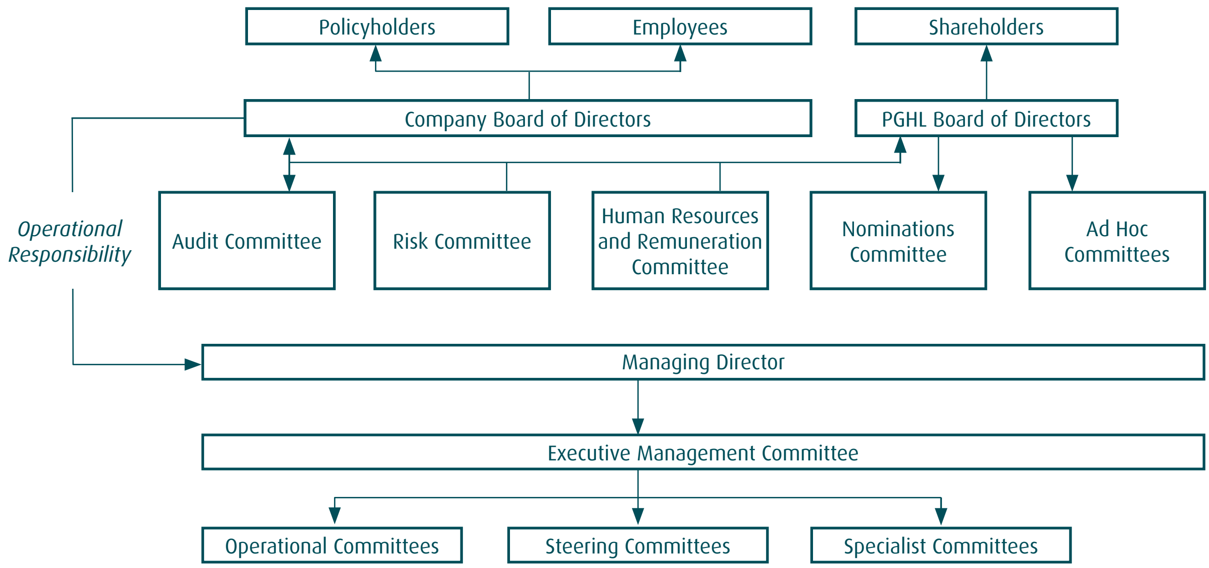
Director	Roles	Biography
Julie Fahey Appointed 1 Nov 2017	Non-Executive Director (Independent) Member of Human Resources and Remuneration Committee, Conduct and Culture Committee, Nominations Committee and Risk Committee	*Julie Fahey is a non-executive Director of Datacom Group Limited in New Zealand and of Yooralla, IRESS, CenITex and the Australian Red Cross Blood Services and is a member of the Emergency Services Telecommunications Authority's ICT Advisory Board.* *Julie has over 30 years of experience in technology, including in major organisations such as Western Mining, Exxon, Roy Morgan, General Motors and SAP, covering consulting, software vendor and Chief Information Officer roles.* *In addition to her industry experience, Julie spent 10 years at KPMG as a partner with the firm, during which time she held roles as National Lead Partner Telecommunications, Media and Technology, and National Managing Partner - Markets.* *Julie was also a member of the KPMG National Executive Committee.*
Lance Jenkins Appointed 4 Sep 2013	Non-Executive Director (Independent) Member of Audit Committee and Human Resources and Remuneration Committee	*Lance has over 20 years of financial markets experience, and is currently an Executive Director of CCA Capital. He has held senior roles with Goldman Sachs JBWere in New York, where more latterly he was CEO and Managing Director of Goldman Sachs JBWere New Zealand. He was also Head of Cash Equities at the Commonwealth Bank of Australia in Sydney and was an Executive Director and Partner of the NZ investment company, Waterman Capital until December, 2018. He is currently a director of the NZ meal kit company, MFB Group Limited, and the Australian listed investment company, Whitefield Ltd.* *Lance holds an MBA from New York University (Stern) and an LLB and BCA from Victoria University of Wellington.*

Director	Roles	Biography
Kishore Moorjani Appointed 9 Sep 2016	Non-Executive Director Member of Human Resources and Remuneration Committee and Nominations Committee	*A Blackstone nominee, with experience in private equity, Kishore Moorjani is a Senior Managing Director and leads the Asia efforts for Blackstone's Tactical Opportunities Group.* *Prior to joining Blackstone, Kishore was the Founder and Chief Investment Officer of Credit Asia Capital, an Asian special situations investment firm he established in partnership with the Blackstone Strategic Alliance Fund.* *Prior to that, Kishore was Co-Head of Asia at D.B. Zwirn, a $5 billion special situations investment firm, where he was involved in launching the Asian investment business. From 1998 to 2004, Kishore was with Colony Capital, where he held various positions across several of the firm's offices, including serving as the CEO of Colony Capital Taiwan.* *Kishore moved to Asia in 1995 with CBRE, where he was part of the founding team for the Indian operations that established the firm as a preeminent real estate services firm in India.* *Kishore received an MBA in Real Estate Finance and a BBA in Finance/Strategy (Honours) from the Schulich School of Business at York University in Toronto.*

Director	Roles	Biography
Luv Parikh Appointed 18 Dec 2017	Non-Executive Director Member of Audit Committee, and Risk Committee	*Luv Parikh is a Blackstone nominee, with experience in sourcing and executing transactions in Asia-Pacific. Luv is a Managing Director in Blackstone's Tactical Opportunities Group in Singapore.* *Prior to joining Blackstone in 2008, Luv was at Lehman Brothers New York, where he was part of the Financial Sponsors, Leveraged Finance and Corporate Advisory teams within investment banking. Prior to Lehman, Luv was the CEO of an automobile distributorship company in India where he led a successful turnaround in the company's profitability. Luv started his career at Prudential Securities in the Private Equity Placements Group.* *Luv received a BS in Economics, majoring in Finance and Entrepreneurial Management from the Wharton School, University of Pennsylvania in 1998. He also received an MBA from Columbia Business School in 2006, where he was a recipient of the Board of Overseers Fellowship and graduated as a member of the Beta Gamma Sigma Honors Society.*
Kwang-Yew See Appointed 4 Dec 2018	Alternate Director for Kishore Moorjani and Luv Parikh	*Kwang-Yew See is a Blackstone nominee with experience in private equity and corporate finance. Mr. See is a Senior Associate in Blackstone's Tactical Opportunities Group in Asia, and has been involved in investments within the insurance, financial services, healthcare and specialty real estate sectors.* *Prior to joining Blackstone, Mr. See was at J.P. Morgan's Investment Banking team where he worked on M&A, equity and debt capital market transactions across multiple sectors within the Southeast Asia region.* *Mr. See received a BS in Economics (Finance) from the Wharton School and a BA in History from the University of Pennsylvania, where he graduated summa-cum-laude in 2011.*

Corporate Governance Statement

The corporate governance structure of PGHL and the Company is set out as follows:



The Board has approved the delegation of certain responsibilities to the Managing Director and the senior management team via a formal Delegation of Authority policy.

The senior management team are responsible for the implementation of strategies approved by the Board, providing recommendations to the Board on business strategies, the management of business risk and the overall day-to-day management of the Company.

The Board undertakes an annual strategic planning process and approves the annual budget prepared by management based on the strategic direction set by the Board.

The Board monitors the actual performance of the company against budget on a regular basis.

Evaluations of the Managing Director and the senior management team are based on set criteria, including the overall performance of the business, the achievement of key performance measurements, the accomplishment of strategic goals and other non-quantitative objectives agreed at the beginning of each financial year, such as the delivery of specific projects.

The Company has Directors' and Officers' Liability insurance to cover risks arising out of acts or omissions of directors and employees while acting in such a capacity. This cover does not extend to dishonest, fraudulent, malicious or wilful acts or omissions.

Deeds of Indemnity have been given to directors and certain senior managers in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as directors and senior managers.

The Board has established a number of sub-committees to assist it in discharging its responsibilities. Each committee has its own charter. Committees can advise and make recommendations but final decision making rests with the Board. The Board creates ad hoc committees as may be required. In particular during the current year the Board created a Conduct and Culture Committee, which is detailed below.

Ethical conduct

The Board maintains a high standard of ethical conduct and the Managing Director is charged with the responsibility of ensuring these high standards are maintained by all staff throughout the organisation.

Audit and Risk Committees

During the period under review the Board had as a subcommittee an Audit and Risk Committee ('ARC'). At its meeting on 2 April 2019 the Board approved the creation of separate Audit and Risk Committees; and they have been operating separately since then. The following reflects information about the Audit and Risk Committee that was in operation during the period.

The ARC was chaired by an independent, non-executive director and had a different Chairman to the Board.

The members of the ARC were Joanna Perry (chair), Jim Minto, Tim Bennett, Lance Jenkins, and Luv Parikh. All Board members received ARC papers, and were welcome to attend any meeting.

The primary responsibilities of the ARC were:

- Consider and review with management and the external auditor the adequacy of the Company's internal controls and risk management programme.
- Review and make recommendations to the Board on the accounting policies of the Company, the effect of any changes in accounting policies and related reporting issues.
- Independently review external financial reporting and other regulatory reporting (such as solvency returns) that require Board approval and make recommendations to the Board relating to the approval of these documents and associated attestations.
- Review annually the performance and independence of the external auditor and make recommendations, for the approval of shareholders, to the Board for the appointment of the external auditor and the quantum of their fees.
- Review and agree the annual audit plan with the external auditor.
- Discuss with the external auditor any audit issues encountered in the course of their duties and ensure any significant findings and recommendations made by the external auditor are acted on appropriately by management.
- Review annually the performance and independence of the Appointed Actuary and make recommendations to the Board for the appointment of the Appointed Actuary and the quantum of their fees.
- Discuss with the Appointed Actuary any issues encountered in the course of their duties and ensure any significant findings and recommendations made by the Appointed Actuary are acted on appropriately by management.
- Review any related party transactions.
- Monitor and assess the Company's compliance with significant laws and regulations.

Human Resources and Remuneration Committee

The purpose of the Human Resources and Remuneration Committee is to oversee the Company's human resource policies and the remuneration of directors and senior executives.

It is chaired by an independent, non-executive director.

The members of the Human Resources and Remuneration Committee are Jim Minto (Chair), Naomi Ballantyne, Julie Fahey, Lance Jenkins, Joanna Perry, and Kishore Moorjani.

The primary responsibilities of the Human Resources and Remuneration Committee are:

- Recommend to the Board the remuneration of the Managing Director and his/her direct reports.
- Recommend to the Board performance objectives for the Managing Director and his/her direct reports, and review the level of achievement against these objectives.
- Review the Company's remuneration framework including components of remuneration, the rules and principles for short and long term incentive plans and performance review and annual remuneration review principles.
- Provide governance over Health and Safety Policy and organisational practice.
- Implement a formal and transparent process for the regular review of director remuneration and make recommendations with respect to director remuneration to the Board (subject to shareholder approval where appropriate).
- Consider such other matters relating to remuneration and human resources as may be referred to the Committee by the Board.

Nominations Committee

The Nominations Committee has the role of identifying suitable prospective directors for shareholder selection and preparing those directors for their role within the Company.

The members of the Nominations Committee are Jim Minto (Chair), Naomi Ballantyne, Joanna Perry, Julie Fahey and Kishore Moorjani.

The primary responsibilities of the Nominations Committee are:

- Provide assurance and make recommendations to the Board as to the Board's size, composition, diversity and desirable expertise appropriate for the discharge of its responsibilities and duties in accordance with the law and with the strategic direction of the Company.
- Review the criteria for the selection of directors and recommend to the Board any necessary alterations to that criteria to ensure the Company has a formal and transparent process for the selection and appointment of new directors.
- Develop and implement a plan for identifying and assessing director competencies.
- Where there is a vacancy or pending vacancy, recommend appropriate candidates to the Board based on the approved criteria and process for consideration.
- Implement adequate succession plans for key roles such as Chairman and the chairs of the various Board committees, in order that the effective composition, size and expertise of the Board is maintained.
- Monitor and report to the Board on director independence.
- Undertake a review of the Committee's effectiveness and report on the actions of that review to the Board.

Conduct and Culture Committee

The Financial Markets Authority (FMA) and Reserve Bank of New Zealand (RBNZ) carried out a review of Conduct and Culture in Banks and Life Insurers ('Review'). All 16 life insurers who took part in the Review received individual feedback. Each life insurer is required to respond to the feedback by 30 June 2019.

In February 2019 the Board established a Conduct and Culture Committee. The members of the Conduct and Culture Committee are Jim Minto (Chair), Joanna Perry and Julie Fahey.

The primary responsibility of the Conduct and Culture Committee is to assist the Board to respond to individual feedback provided by the FMA and RBNZ following the Review. Primary responsibility for conduct and culture remains with the Board.

Policies

The following policies have been approved by the Board:

- Risk Management Programme.
- Capital Management.
- Statement of Investment Policy and Objectives, and Treasury Policy.
- Fit and Proper Persons.
- Conflicts of Interest.
- Health and Safety.
- Privacy.
- Whistle Blower.
- Financial Model Risk.
- Crisis Management.
- Delegations of Authority.
- Code of Conduct.
- Policy Governance Framework.

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Independent Auditor's Report

To the shareholders of Partners Life Limited

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Partners Life Limited (the Company) on pages 9 to 48:

i. present fairly in all material respects the Company's financial position as at 31 March 2019 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 31 March 2019;

— 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 regulatory reporting services. 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.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the Company's activities in the year ended 31 March 2019. The Company had a continued focus on new business growth, profitability and retention of policyholders.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $4.275 million determined with reference to a benchmark of Company revenue. We chose the benchmark because, in our view, this is a key measure of the Company's performance given focus on new business growth.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

Valuation of insurance contract assets ($691.3m), insurance contract liabilities ($156.2m), present value of future tax payable in insurance contract assets and liabilities ($182.5m) and associated net movement in insurance contract assets and liabilities ($142.4m)

The key audit matter	How the matter was addressed in our audit
Refer to Note 14 to the financial statements. The valuation of insurance contract assets, insurance contract liabilities and present value of future tax payable in insurance contract assets and liabilities is a key audit matter because of the judgement required in projecting expected cash flows long into the future and the impact these have on profitability and the asset and liability base of the Company. The net movement in insurance contract assets and liabilities is a function of the same valuation uncertainties, being the year on year movement in the valuation. This movement includes the release of profit from the expected cash flows, using net claims experience as a basis for the release. Specific audit and actuarial expertise is required to evaluate complex actuarial methodologies and assumptions that take into account the risks and uncertainties of the particular classes of insurance business written.	Our audit procedures included: — Assessing the effectiveness of controls around the authorisation and set up of new policies and authorisation of claim payments. — Checking the completeness and accuracy of the data used in the valuation process. The data is projected over the expected life of the policy. — Assessing the appropriateness of any valuation model changes and the change control processes surrounding any changes. — Using our actuarial specialist to challenge the actuarial methods and key assumptions used in the valuation by comparing key assumptions and expected experience to: - actual historical experience; - observable market data, including industry average and experience for certain classes of business and assumptions; and - actuarial and accounting standard requirements. — Specific to the assumption on the number of months not paying tax, which is a key assumption in determining the present value of future tax payable in insurance contract assets and liabilities, challenging the reasonableness of the assessment of shareholder continuity changes in the

Valuation of insurance contract assets ($691.3m), insurance contract liabilities ($156.2m), present value of future tax payable in insurance contract assets and liabilities ($182.5m) and associated net movement in insurance contract assets and liabilities ($142.4m) (continued)

The key audit matter	How the matter was addressed in our audit
The key factors that affect the valuation of these balances are: — The cost of providing benefits and administering the insurance contracts. — The costs incurred in acquiring the insurance policies (acquisition costs), including adviser commissions, underwriting and policy issue costs. — Mortality and morbidity experience on life insurance products. — Discontinuance experience which affects the ability to recover acquisition costs. — Reinsurance arrangements and timing of future cash flows under these arrangements, which include reinsurance expense, reinsurance recoveries, reinsurance commission revenue. — Future premium rates. — The present value of future tax payable based on the ability to utilise past and future tax losses. — Potential future changes to shareholder continuity to determine a best estimate of the quantum of past tax losses available to carry forward. This is a key judgement in determining the number of months not paying tax into the future which is a key assumption in determining the present value of future tax payable in insurance contract assets and liabilities. — Other factors such as regulation, competition, interest rates, and general economic conditions are used in the valuation of insurance contract assets and liabilities. — Determination of an appropriate basis on which to release profit in future periods.	future (which impacts the Company's ability to retain tax losses). Our approach also included challenging the reasonableness of future cash flows, which includes an assessment of the amount of additional tax losses expected to be incurred in the future, and an assessment of future profits against which tax losses can be utilised. — Assessing the historical accuracy of the estimate by testing the "analysis of profit", which compares the Company's expected profit to actual profit. This included challenging the consistency of the analysis compared with our understanding of the business and emerging claims and lapse experience. — Evaluating the work of the Company's Chief Actuary, which is reviewed by the external Appointed Actuary, and assessing their competence and objectivity. — Checking that information in the actuarial valuation report is consistent with the information disclosed in the financial statements.

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Valuation of claims accruals ($63.2m) and associated reinsurance recoveries ($39.2m)	
The key audit matter	**How the matter was addressed in our audit**
Refer to Notes 15 and 19 to the financial statements. The valuation of claims accruals and associated recoveries involves judgement given the inherent uncertainty over the final claims settlement. This is particularly true for claims incurred but not yet reported to the Company. There is generally a lower level of information available in respect of these claims. This estimate relies on the quality of underlying data, including historic claims data, and the application of complex and subjective actuarial models and methodologies, judgements and assumptions about the future events.	Our audit procedures included: — For a sample of claims which have been reported to the Company but not yet paid, checking that the claims estimate is based on the latest available information and that the reinsurers' share of the claim is calculated correctly. — Using our actuarial specialist to challenge the actuarial methods and key assumptions used in the valuation of the provision held for claims incurred but not yet reported to the Company. — Assessing the historical accuracy of the estimate by testing the "analysis of profit", which compares the Company's expected profit to actual profit. This included challenging the consistency of the analysis compared with our understanding of the business and emerging claims and lapse experience. — Checking the credit ratings of reinsurers for any indication that the reinsurers may not have the ability to settle their claims.

Other information

The directors, on behalf of the Company, are responsible for the other information included in the entity's financial statements. Other information includes the Corporate Governance Statement and 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.

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.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the directors.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

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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:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

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

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

For and on behalf of

KPMG

KPMG
Auckland

26 June 2019

Deloitte.

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18 July 2019

The Directors
Partners Life Limited
AUCKLAND

Dear Directors,

Report under Section 78 of the Insurance (Prudential Supervision) Act 2010
Review of *actuarial information* for Partners Life Limited as at 31 March 2019

a) This report has been prepared by Alan Merten; FIAA, FNZSA for the purpose of Section 78 of Insurance (Prudential Supervision) Act 2010 ("IPSA"). It has been included in the Partners Life Limited ("PLL") financial statements.

b) The report provides information to the Directors and management of PLL regarding a review of the actuarial information (Section 77 of IPSA) contained in the 31 March 2019 PLL financial statements and provides an opinion as to its appropriateness. This report has not been prepared with any other additional purposes in mind.

c) My review of the actuarial information included the following:

- Review of the policy liability valuation report prepared by the PLL Chief Actuary, Anton Gardiner "Report on the Valuation of Policy Liabilities as at 31 March 2019" dated 24 June 2019. This report included the following actuarial information:
    i. Insurance contract assets (policy liabilities before reinsurance);
    ii. Insurance contract liabilities – reinsurance (policy liabilities in respect of reinsurance);
    iii. Present value of future tax payable in insurance contract assets and liabilities.

- Review of the calculations determining the solvency position of the company, statutory fund and shareholder fund.

d) I am a Partner at Deloitte and act as Appointed Actuary for PLL under a contract for services. I have no financial interests in PLL.

e) There were no restrictions or limitations placed on my work or on my report. I obtained all the information I required.

f) In my opinion and from an actuarial perspective:

- The actuarial information contained in the 31 March 2019 PLL financial statements has been appropriately included in those financial statements; and
- The actuarial information used in the preparation of the 31 March 2019 PLL financial statements has been appropriately used in those financial statements.

g) In my opinion and from an actuarial perspective PLL maintained a solvency margin as at 31 March 2019 that complies with the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand. This has been maintained at both an overall company level and for the statutory fund and shareholder fund.

Alan Merten; FNZSA FIAA
Appointed Actuary
Partners Life Limited