



you.insured

YOUI NZ PTY LTD

**Financial Statements
for the period ended 30 June 2014**

Youi NZ Pty Ltd
Financial Statements
for the period ended 30 June 2014

Contents

	Page
Independent auditor's report	2
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8



Independent Auditors' Report to the shareholders of Youi NZ Pty Ltd

Report on the Financial Statements

We have audited the financial statements of Youi NZ Pty Ltd on pages 3 to 25 which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Other than in our capacity as auditors we have no relationship with, or interests in, Youi NZ Pty Ltd.

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Opinion

In our opinion, the financial statements on pages 3 to 25:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company as at 30 June 2014, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants

Brisbane
26 August 2014

Youi NZ Pty Ltd

Statement of comprehensive income for the period ended 30 June 2014

	Notes	2014 \$'000
Revenue	5	10,641
Investment income	6	200
Other operating income	7	177
Net income		<u>11,018</u>
Administration expenses	8	(13,188)
Finance costs	8	(207)
Expenses		<u>(13,395)</u>
Profit/(loss) before income tax		(2,377)
Income tax benefit / (expense)	10	-
Profit/(loss) for the year		<u>(2,377)</u>
Other comprehensive income for the year, net of tax		-
Total comprehensive income / (loss) for the year		<u>(2,377)</u>
Total comprehensive income / (loss) for the year is attributable to:		
Owners of Youi NZ Pty Ltd		<u>(2,377)</u>
		<u>(2,377)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.


Youi NZ Pty Ltd

Statement of financial position as at 30 June 2014

	Notes	2014 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	11	60,463
Trade and other receivables	12	816
Total current assets		<u>61,279</u>
Non-current assets		
Property, plant and equipment	13	1,578
Intangible assets	14	53
Deferred tax assets	15	-
Total non-current assets		<u>1,631</u>
Total assets		<u><u>62,910</u></u>
LIABILITIES		
Current liabilities		
Trade and other payables	16	1,557
Provisions	17	730
Total current liabilities		<u>2,287</u>
Total liabilities		<u>2,287</u>
Net assets		<u><u>60,623</u></u>
EQUITY		
Contributed equity	19	63,000
Retained profit/(loss)		(2,377)
Total equity		<u><u>60,623</u></u>

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 4 to 26 were authorised for issue by the Board of directors on 26 August 2014 and were signed on its behalf.



CE Corfe
Chairman



DH Matthee
Chief Executive Officer

Youi NZ Pty Ltd

Statement of changes in equity for the period ended 30 June 2014

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 6 June 2013		1	-	1
Profit/(loss) for the year		-	(2,377)	(2,377)
Total comprehensive income / (loss) for the year		-	(2,377)	(2,377)
Transactions with owners in their capacity as owners				
Issue of shares		62,999	-	62,999
		62,999	-	62,999
Balance at 30 June 2014		63,000	(2,377)	60,623

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Youi NZ Pty Ltd

Statement of cash flows

for the period ended 30 June 2014

	Notes	2014 \$'000
Cash flows from operating activities		
Cash generated from/(utilised in) operations	26	(396)
Interest received	6	200
Income tax received/(paid)		-
Net cash inflow/outflow from operating activities		<u>(196)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	13	(2,282)
Payments for intangible assets	14	(59)
Net cash (outflow)/inflow from investing activities		<u>(2,341)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	19	62,999
Net cash inflow/(outflow) from financing activities		<u>62,999</u>
Net increase/(decrease) in cash and cash equivalents		60,462
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	11	<u>60,462</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014

1. General information

These financial statements are for Youi NZ Pty Limited ("the Company"). During the year the principal activities of the Company consisted of insurance call centre services.

The Company is a limited liability company incorporated in New Zealand. The address of its registered office is:
Building C Level 3
600 Great South Road
Ellerslie, Auckland 1051
New Zealand

(a) Reporting period and comparative information

The Company was incorporated on 6 June 2013 and the financial results presented in this report are for the period since incorporation until 30 June 2014. As this is the first period of the Company's operation, there is no comparative information.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with new Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

(i) Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards ("IFRS") and IFRIC interpretations.

(ii) Statutory base

Youi NZ Pty Ltd is a company registered under the New Zealand Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

(iii) New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period and are not likely to affect future periods.

(iv) Early adoption of standards

The Company has not elected to apply any pronouncements before their operative date in the financial statements period beginning 1 July 2013.

(v) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value.

(vi) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of refunds and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(i) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(ii) Management fee income

Management fee income is recognised in the income statement when the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the contractual conditions for the rendering of the service have been met.

(d) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

2. Summary of significant accounting policies (continued)

(e) Employee benefits

(i) Short-term obligations

Liabilities for salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

Contributions are made to KiwiSaver in accordance with each employee's choice. Contributions made to these funds are recognised as an expense as they become payable.

The Company does not provide any benefits relating to a defined benefit retirement plan.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Youi Holdings Pty Ltd Employee Share Option Plan. Information relating to the plan is set out in note 20.

The fair value of options granted under the Youi Holdings Pty Ltd Employee Share Option plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 8). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

2. Summary of significant accounting policies (continued)

(f) Leases (continued)

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

(g) Finance costs

Finance costs are expensed as they are incurred.

(h) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for the jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(j) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

2. Summary of significant accounting policies (continued)

(k) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value which is the amount due.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

The amount of the impairment loss is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvements	over the period of the lease
- Computer equipment	up to 3 years
- Furniture, fittings and equipment	up to 6 years
- Motor vehicles	up to 6 years

The assets' residual lives and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(j)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

(n) Intangible assets

Computer software

Costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Amortisation is calculated on a straight-line basis over periods of up to 4 years.

Software development costs

The Company generally expenses computer software development costs in the financial period incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the Company exceeding the costs incurred for more than one financial period, the Company capitalises such costs and recognises it as an intangible asset. Such capitalised software is carried at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis at a rate applicable to the expected useful life of the asset, but not exceeding 4 years.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

2. Summary of significant accounting policies (continued)

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

2. Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

(i) *NZ IFRS 9 Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2018)

NZ IFRS 9 replaces *NZ IAS 39 Financial Instruments: Recognition and Measurement*. *NZ IFRS 9* has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). The determination is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

For financial liabilities, the standard retains most of the NZ IAS 39 requirements. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income.

NZ IFRS 9 incorporates new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

NZ IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in *IAS 39* and seeks to address the criticisms of the incurred loss model.

There will be no impact on the Company's financial assets or liabilities as the Company currently does not have financial assets or liabilities that are impacted by the new requirements.

(ii) *NZ IFRS 15 Revenue from Contracts with Customers* (effective for annual reporting periods beginning on or after 1 July 2017)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in *NZ IAS 18 Revenue* and *NZ IAS 11 Construction Contracts* and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Company does not expect that these changes will have a material impact on its financial statements.

3. Risk management

The Company has developed an enterprise-wide risk management framework to provide reasonable assurance that the risks faced by the business are prudently and soundly managed. The risk management framework is documented in a comprehensive Risk Management Strategy (RMS) which is approved annually by the Board of directors.

Risk and governance oversight is provided by the Company's Board of directors and the Youi Holdings Pty Ltd Board Audit and Risk Committee, as well as by the OUTsurance Holdings Ltd Board of directors, the OUTsurance Holdings Ltd Audit, Risk and Compliance Committee and the OUTsurance Holdings Ltd Investment Committee.

3.1. Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Company relies on an effective control environment to manage the significant risks to its operations, comprising the following components: oversight by the Executive Committee, the Board Audit and Risk Committee and the Board of directors; clearly defined management responsibilities and organisational structures; formally delegated limits of authority and mandates; clear policies and procedures; proper segregation of duties; strong management reporting systems; appropriate personnel requirements for key positions; physical and logical security over company assets; appropriate levels of insurance to transfer risks where appropriate; and independent review of the control environment by the Internal Audit functions and the Appointed Auditor.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

3. Risk management (continued)

3.2. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Company transacts with its parent entity and fellow subsidiary offshore and is exposed to foreign currency exchange risk arising from its intergroup currency exposures, primarily with respect to the Australian Dollar.

The exposures are not significant and are therefore not actively managed.

The Company's exposure to foreign currency risk expressed in NZD at the reporting date was as follows:

	2014
	\$'000
Trade and other payables - exposure to AUD	1,102

The carrying amounts of all other financial assets and liabilities of the Company are denominated in New Zealand dollars.

The foreign exchange risk is immaterial in terms of the possible impact on profit or loss or total equity and therefore a sensitivity analysis has not been provided.

(ii) Price risk

The Company is not exposed to any significant price risk, due to the conservative investment management policy.

(iii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from its investments of excess liquidity.

The Board of directors provides written guidelines for the management of the Company's investments through its Investment Management Policy and specific investment mandates. The Board is assisted in this process by the Investment Committee.

Conservative investment mandates are in place and investments have short-term maturities of up to 12 months. Hedging is not considered appropriate for such short term exposures.

At the end of the reporting period, the Company had the following investments at short-term rates:

	30 June 2014	
	Weighted average interest rate %	Balance \$'000
Term deposits at fixed interest rates	4.54%	50,551
Money at call at variable interest rates	2.93%	9,912

Company sensitivity

At 30 June 2014, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, profit after tax for the period and equity at the end of the period would have been \$217,668 higher/lower mainly as a result of higher/lower interest income from cash and cash equivalents and term deposits.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

3. Risk management (continued)

3.2. Financial risk management (continued)

(b) Credit risk

Credit risk arises from

- cash and cash equivalents (deposits with banks and financial institutions), and
- exposures to customers, including outstanding receivables and committed transactions.

Risk limits on investments are set by the Board and Investment Committee. For banks and financial institutions, only independently rated parties with a minimum rating of AA (short-term rating A-1+) are accepted.

There are no significant concentrations of credit risk, whether through exposure to individual counterparties, specific industry sectors and/or regions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets disclosed on the balance sheet on page 4. Due to the low risk nature of these exposures, no collateral is held as security.

The credit quality of financial assets that are neither past due nor impaired is assessed below:

	2014 \$'000
Cash and cash equivalents	
<i>Counterparties with external credit rating (Standard & Poor's)</i>	
Short-term rating A-1+	<u>60,463</u>
Total cash and cash equivalents	<u>60,463</u>
	2014 \$'000
Trade and other receivables - current	
<i>Counterparties without external credit rating</i>	
All amounts	<u>816</u>
Total trade and other receivables	<u>816</u>

There are no financial assets that are past due or impaired either individually or on an aggregate basis.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in highly liquid instruments with short-term maturities.

Maturities of financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on undiscounted contractual cashflows for the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 year \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
Contractual maturities of financial liabilities				
At 30 June 2014				
Trade and other payables	1,557	-	1,557	1,557
Provisions	730	-	730	730
Total financial liabilities	<u>2,287</u>	<u>-</u>	<u>2,287</u>	<u>2,287</u>

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

3. Risk management (continued)

3.2. Financial risk management (continued)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques, such as discounted cash flows.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3.3. Capital management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Company is subject to income taxes in New Zealand. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company estimates its tax liabilities based on its understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In particular, the Company has not recognised a deferred tax asset relating to carried forward tax losses on the basis that it is too early to determine with certainty the probability that future taxable amounts will be available to utilise those losses. Once the Company is satisfied that it is probable that future taxable amounts will be available to utilise the losses, a deferred tax asset will be recognised and the income tax expense reduced accordingly.

If the carried forward losses could be utilised against future taxable amounts, the Company would make the following adjustments relating to the current period's results:

- decrease the income tax expense and increase the deferred tax asset by approximately \$665,560.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

4. Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying the entity's accounting policies

(i) Going concern

The financial statements have been prepared on the going concern basis. While the Company has recognised losses for the year, this business is in start-up phase and there is no reason to believe that the business will not be able to recover these losses from its future operations.

5. Revenue

	2014 \$'000
Management fee received from Group companies	10,641
	<u>10,641</u>

6. Investment income

	2014 \$'000
Interest income on cash and cash equivalents	200
	<u>200</u>

7. Other operating income

	2014 \$'000
Government grant received	48
Foreign currency exchange profit/(loss)	129
	<u>177</u>

The Government grant is received from the Work and Income division where a Work and Income client is provided with paid work under a Flexi-Wage Subsidy Agreement. There are no unfulfilled conditions or other contingencies attaching to these grants. The Company did not benefit directly from any other forms of government assistance during the reporting period.

8. Operating expenses

	2014 \$'000
Profit before income tax includes the following specific expenses:	
<i>Depreciation</i>	
Leasehold improvements	457
Computer equipment	203
Furniture, fittings and equipment	44
	<u>704</u>
<i>Amortisation</i>	
Software	6
	<u>6</u>
<i>Rental expenses relating to operating leases</i>	
Office rental	477
	<u>477</u>
<i>Employee benefits</i>	
Short-term employee benefits	7,681
Defined contribution superannuation expense	161
	<u>7,842</u>
<i>Finance costs</i>	
Finance costs expensed	207
	<u>207</u>

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

9. Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2014
	\$
Audit services	10,000
Non-audit services	34,717
	<u>44,717</u>

It is the Company's policy to employ the auditor or its related practices on assignments additional to their statutory audit duties where their expertise and experience with the Company are important. These assignments relate principally to tax advice.

10. Income tax (benefit) / expense

	2014
	\$'000
(a) Income tax (revenue) / expense	
Current tax	-
Deferred tax	-
Income tax (revenue) / expense	<u>-</u>

Deferred income tax (revenue) / expense included in income tax expense comprises:

(Increase) / decrease in deferred tax assets (note 15)	(745)
Increase / (decrease) in deferred tax liabilities (note 18)	79
	<u>(666)</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit/(loss) before income tax	(2,377)
Tax at the New Zealand tax rate of 28%	(666)
Unrecognised tax losses	666
Income tax (revenue) / expense	<u>-</u>

11. Cash and cash equivalents

	2014
	\$'000
Cash at bank and in hand	9,912
Term deposits	50,551
	<u>60,463</u>

Term deposits of \$386,000 are pledged to the Company's bank as security against bank guarantees provided as security against the Company's lease liabilities in respect of its leased premises.

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial period as shown in the statement of cash flows as follows:

	2014
	\$'000
Balance as above	60,463
Balance per statement of cash flows	<u>60,463</u>

(b) Interest rate risk and credit risk exposure

The Company's exposure to interest rate risk and credit risk in relation to cash and cash equivalents is discussed in note 3.2.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

12. Trade and other receivables

	Notes	2014 \$'000
Refundable deposits		21
Other		795
		<u>816</u>

(a) Interest rate risk and credit risk exposure

The maximum exposures to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. More information regarding the risk management policy of the Company and the interest rate and credit risk exposure in relation to trade and other receivables is provided in note 3.2.

(b) Fair value

Due to the short-term nature of the receivables, their carrying amount is assumed to approximate their fair value.

13. Property, plant and equipment

	Notes	Leasehold improvements \$'000	Computer equipment \$'000	Furniture, fittings and equipment \$'000	Total \$'000
Year ended 30 June 2014					
Opening net book amount		-	-	-	-
Additions		835	980	467	2,282
Disposals		-	-	-	-
Depreciation charge	8	(457)	(203)	(44)	(704)
Closing net book amount		<u>378</u>	<u>777</u>	<u>423</u>	<u>1,578</u>
At 30 June 2014					
Cost or fair value		835	980	467	2,282
Accumulated depreciation		(457)	(203)	(44)	(704)
Net book amount		<u>378</u>	<u>777</u>	<u>423</u>	<u>1,578</u>

14. Intangible assets

	Notes	Software \$'000	Total \$'000
Year ended 30 June 2014			
Opening net book amount		-	-
Additions		59	59
Amortisation charge	8	(6)	(6)
Closing net book amount		<u>53</u>	<u>53</u>
At 30 June 2014			
Cost or fair value		59	59
Accumulated amortisation and impairment		(6)	(6)
Net book amount		<u>53</u>	<u>53</u>

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

15. Deferred tax assets

	2014 \$'000
The balance comprises temporary differences attributable to:	
Tax losses	566
Provisions for liabilities not yet due and payable	179
Total deferred tax assets	745
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(79)
Net deferred tax assets	<u>666</u>
Deferred tax asset not recognised	<u>(666)</u>
Recognised deferred tax assets	<u>-</u>

16. Trade and other payables

	2014 \$'000
Trade payables	<u>1,557</u>
	<u>1,557</u>

17. Provisions

	2014 \$'000
Employee benefits	454
Lease make good	<u>276</u>
	<u>730</u>

(a) Employee benefits

The current provision for employee benefits includes accrued annual leave. The entire amount of the provision is presented as current, since the Company does not have an unconditional right to defer settlement for any of these obligations.

(b) Lease make good

The Company is required to restore the leased premises of its head office to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(c) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Lease make good \$'000	Total \$'000
Carrying amount at the beginning of the year	-	-
Amounts charged to the income statement		
- additional provisions recognised	276	276
Amounts used during the period	-	-
Carrying amount at the end of the year	<u>276</u>	<u>276</u>

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

18. Deferred tax liabilities

	2014 \$'000
The balance comprises temporary differences attributable to:	
Deferred expenditure immediately deductible	79
Total deferred tax liabilities	<u>79</u>
Set-off of deferred tax assets pursuant to set-off provisions (note 15)	<u>(79)</u>
Net deferred tax liabilities	<u><u>-</u></u>

19. Contributed equity

(a) Total contributed equity

	Notes	2014 Shares	2014 \$'000
Ordinary shares (no par value)			
Issued and fully paid		630,000,000	63,000
Total contributed equity		<u><u>630,000,000</u></u>	<u><u>63,000</u></u>

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	Total paid \$'000
6 June 2013	Opening balance	10,000	0.10	1
	Shares issued	<u>629,990,000</u>	0.10	<u>62,999</u>
30 June 2014	Closing balance	<u><u>630,000,000</u></u>		<u><u>63,000</u></u>

(c) Ordinary shares

proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Employee share option plan

Information relating to the Youi Holdings Pty Ltd Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 20.

(e) Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

20. Share based payments

Employee share option plan

The Youi Holdings Pty Ltd employee share option plan was established and approved by the Board of directors on 27 May 2008. The plan provides a facility to employees of the Group to acquire shares in Youi Holdings Pty Ltd. The primary purpose of the plan is to appropriately attract, incentivise and retain senior managers within the group.

In terms of the plan rules, options may be issued over existing issued share capital or over new shares to be issued upon exercise of the options. Shares held by employees as a result of the exercise of share options under the plan are limited to 20% of the total issued share capital of Youi Holdings Pty Ltd.

The exercise price of options is based on the market value of ordinary shares in Youi Holdings Pty Ltd on the date of issue of the options, as determined by the Board of directors and subject to review by an independent valuer.

Options granted under the plan carry no dividend or voting rights.

Valuation methodology

The fair value of options is determined at grant date and expensed over the vesting period of the options. The fair value of options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

A share based payment expense is only recognised if the options issued have a positive intrinsic value, therefore, if the market value of the underlying shares is expected to rise above the strike price over the vesting period of the options.

The significant assumptions used in the valuation of options granted during the year ended 30 June 2014 included:

- (i) options are granted for no consideration and vest 3 years after grant date, with all options expiring on 30 June 2018.
- (ii) exercise price: 10c (expressed in Australian Dollar)
- (iii) market value of shares underlying the options: 9.7c (expressed in Australian Dollar)
- (iv) grant date: 1 July 2013
- (v) expected price volatility of the underlying shares: 22%
- (vi) expected dividend yield: 0%
- (vii) risk-free interest rate: 2.96%
- (viii) employee turnover: 0%

The expected price volatility is based on the historic volatility for comparable listed companies.

The expected dividend yield is based on actual projections of dividends payable during the term of the options.

The risk-free interest rate is derived from government bonds with a duration equal to the term of the options.

The employee turnover estimates the number of participants in the option plan that are expected to leave the employment of the group before the options have vested.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

20. Share based payments (continued)

The amount charged to the income statement as share based payments for the year is as follows:

	2014
	\$'000
Share based payments expense	-

Detail of share options

	2014
Number of options in force at the beginning of the year	-
<i>Weighted average strike price of options (cents)</i>	<i>n/a</i>
Number of options granted during the year	<u>2,000,000</u>
<i>Weighted average strike price of options granted during the year (cents)</i>	<u>10</u>
Number of options exercised during the year	-
<i>Weighted average share price for options exercised during the year (cents)</i>	<u>10</u>
Number of options cancelled / lapsed during the year	-
<i>Weighted average strike price of options cancelled / lapsed during the year (cents)</i>	<u>10</u>
Number of options in force at the end of the year	<u>2,000,000</u>
<i>Weighted average strike price of options (cents)</i>	<u>10</u>

21. Key management personnel

(a) Directors

The following persons were directors of Youi Pty Ltd during the financial period:

(i) Chairman - non-executive

CE Corfe *(appointed 19 May 2014)*

(ii) Executive directors

PA Broome *(appointed 6 June 2013)*

DH Matthee *(appointed 6 June 2013)*

(iii) Non-executive directors

JC Charlston *(appointed 19 May 2014)*

MG Goldfinch *(appointed 19 May 2014)*

JF Hughes *(appointed 19 May 2014)*

WT Roos *(appointed 19 May 2014)*

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial period:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
H Aron	Group Chief Executive Officer	Youi Pty Ltd
H Combrinck	Chief Financial Officer	Youi Pty Ltd
KL Frank	Chief Operating Officer	Youi Pty Ltd
DW Inman	Head of Information Technology	Youi Pty Ltd
CJ Overs	Head of Compliance	Youi Pty Ltd
IA Pierce	Head of Human Capital	Youi Pty Ltd
CM Pollack	Chief Actuary	Youi Pty Ltd
H Schreuder	Group Head of Marketing	Youi Pty Ltd
MC Visser	Group Head of Actuarial	OUTsurance Insurance Company Ltd

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

21. Key management personnel (continued)

(c) Key management personnel compensation

	2014
	\$
Short-term employee benefits	552,634
Post-employment benefits	-
	<u>552,634</u>

(d) Loans to key management personnel

There were no loans to/from key management personnel.

(e) Other transactions with key management personnel

There were no other transactions with key management personnel during the period.

22. Related party transactions

(a) Parent entities

The holding company of Youi NZ Pty Ltd is Youi Holdings Pty Ltd, a company incorporated in Australia. Youi Holdings Pty Ltd owns 100% of the issued ordinary shares of Youi NZ Pty Ltd. The ultimate holding company of the Group is RMI Holdings Ltd, incorporated in South Africa.

(b) Key management personnel

Disclosure relating to key management personnel is set out in note 21.

(c) Transactions with related parties

The following transactions occurred with related parties:

	2014
	\$
<i>Sales of goods and services</i>	
Management fee received from group companies	10,534,734
<i>Purchase of goods and services</i>	
Management fee paid to group companies	3,113,155
<i>KiwiSaver employer contributions</i>	
Employer contributions to KiwiSaver	161,346

(d) Outstanding balances arising from transactions with related parties

	2014
	\$
<i>Payables to group companies</i>	
Balance at the beginning of the year	-
Amounts advanced by group companies to Youi NZ Pty Ltd	3,113,155
Amounts advanced by Youi NZ Pty Ltd to group companies	(9,515,216)
Amounts repaid	7,504,015
Balance at the end of the year	<u>1,101,954</u>

(e) Terms and conditions

The amount due to group companies is unsecured and non-interest bearing and is repayable on demand.

Youi NZ Pty Ltd

Notes to the financial statements for the period ended 30 June 2014 (continued)

23. Commitments

(a) Lease commitments

(i) Non-cancellable operating leases

The Company leases its office buildings under non-cancellable operating leases expiring within a maximum of five years. The leases are not renewable.

	2014 \$'000
Commitments for minimum lease payments:	
within one year	1,217
later than one year but not later than five years	1,396
later than five years but not later than ten years	-
Total	<u>2,613</u>

(b) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2014 \$'000
Property, plant and equipment	335
Total	<u>335</u>

24. Contingencies

The Company had no known contingent assets or liabilities at 30 June 2014.

25. Events after the balance sheet date

(a) General insurance licence

The Company obtained a general insurance licence from the Reserve Bank of New Zealand on 28 July 2014 and launched a personal lines general insurance business on 29 July 2014.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

26. Cash generated from operations

	2014 \$'000
Profit/(loss) before income tax	(2,377)
Interest received	(200)
Depreciation and amortisation	710
Change in operating assets and liabilities	
(Increase)/decrease in trade and other receivables	(816)
Increase/(decrease) in trade and other payables	1,557
Increase/(decrease) in provisions - current liabilities	730
Cash (utilised in) / generated from operations	<u>(396)</u>