YOUI NZ PTY LTD

Financial Statements

For the year ended 30 June 2019

Youi NZ Pty Ltd
Annual report
30 June 2019

Contents

Independent auditor's report

To the shareholder of Youi NZ Pty Ltd

We have audited the financial statements which comprise:

- the statement of financial position as at 30 June 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Youi NZ Pty Ltd (the Company), present fairly, in all material respects, the financial position of the Company as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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* (PES 1) 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.

Our firm carries out other services for the Company in the areas of solvency return assurance, an actuarial peer review and tax services. Subject to certain restrictions, partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the Company. The other services and this relationship have not impaired our independence as auditor of the Company.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality: $374,000, which represents 5% of five year average profit before tax.

We chose five year average profit before tax as the benchmark because, revenues are volatile and profit before tax has fluctuated widely from year to year. We selected 5% based on our professional judgement, noting that it is within the range of commonly accepted profit-related benchmarks.

We have determined that there is one key audit matter: valuation of outstanding claims liabilities.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of outstanding claims liabilities *2019 $4,452,000, 2018 $4,794,000* Refer to notes 2(x), 4 and 22 to the financial statements, which describe the elements that make up the balance. We considered the valuation of outstanding claims liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements and actuarial assumptions that the Company made in determining the balance. Outstanding claims liabilities are measured as the central estimate of the present value of expected future payments for claims made under insurance contracts. The estimation involves significant judgement given the inherent uncertainty in estimating the expected future payments for claims already notified and those incurred but not yet reported. The valuation of the outstanding claims liabilities relies on the quality of the underlying data. It involves complex and subjective judgements about future events, both internal and external to the business, for which minor changes in assumptions can have a material impact on the estimate. Judgement arises over the estimation of payments for claims that were incurred by the reporting date but not yet reported to the Company as less information is typically available in relation to these claims. Outstanding claims liabilities include a risk margin that allows for the inherent uncertainty in the net central estimate. In determining the risk margin, the Company takes into account various factors, such as class of business, historical experience, portfolio size and uncertainty involved in the business operations.	Our procedures, in conjunction with PwC actuarial experts, included: • Assessing the design and testing the operating effectiveness of certain controls over the actuarial function, such as review and approval of certain assumptions used in the valuation models, the accuracy of critical data elements used in the valuation models and review of historical claim estimates. • Testing the reliability of the information generated by the information systems used to determine estimates. • Testing historical claims, a key input into the actuarial estimates, by selecting a sample of claim case estimates and settlements, and agreeing the key elements to supporting documentation. • Considering the work and findings of the appointed actuary. • Evaluating whether the Company's actuarial methodologies and models were consistent with those used in the industry and with prior periods. • Assessing key actuarial assumptions such as the historical claim payments, loss ratios, average claim size and frequency, non-reinsurance recoveries ratio and claims handling expense ratio. We considered these assumptions by comparing them with our expectations based on the Company's experience, current trends and benchmarks, and our own business knowledge and industry experience. • Assessing the Company's approach to setting the risk margin in accordance with the requirements of NZ IFRS, with a particular focus on the assessed level of uncertainty in the net central estimate. • We evaluated the risk margin by considering the findings from our work performed on the net central estimate

	and tested the calculation for reasonableness and consistency with previous valuations including comparing the results to industry benchmarks.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information. The Directors have advised that no other information will be included in the annual report.

In connection with our audit of the financial statements, if other information is included in the annual report, 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 to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 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) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the financial statements is located at the External Reporting Board's website at:

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

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an 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 Company and the Company's shareholder for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
21 August 2019

Auckland

Youi NZ Pty Ltd
Statement of comprehensive income
For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Premium revenue	5	**24,511**	26,005
Outward reinsurance expense	5	**(19,279)**	(20,292)
Net premium revenue	5	**5,232**	5,713
Investment income	6	**1,455**	1,223
Commission income		**7,563**	10,059
Other operating income	7	**8,561**	29,812
Net income		**22,811**	46,807
Insurance claims expenses	8	**(14,809)**	(20,716)
Reinsurance and other recoveries	8	**11,817**	16,896
Net insurance claims expenses	8	**(2,992)**	(3,820)
Acquisition costs and other underwriting expenses		**(3,123)**	(6,194)
Administration expenses		**(14,320)**	(25,989)
Finance costs		**-**	(3)
Operating expenses		**(17,443)**	(32,186)
Profit before income tax		**2,376**	10,801
Income tax expense	11	**-**	-
Profit for the year		**2,376**	10,801
Total comprehensive income for the year is attributable to:			
Owners of Youi NZ Pty Ltd		**2,376**	10,801

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 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**3,016**	3,048
Term deposits	13	**48,228**	31,282
Trade and other receivables	14	**11,318**	25,180
Deferred reinsurance expense	16	**5,885**	5,617
Reinsurance and other recoveries receivable	15	**3,226**	4,382
Deferred acquisition costs	16	**752**	2,061
Total current assets		**72,425**	71,570
Non-current assets			
Reinsurance and other recoveries receivable	15	**329**	332
Property, plant and equipment	17	**234**	309
Intangible assets	18	**8**	15
Total non-current assets		**571**	656
Total assets		**72,996**	72,226
LIABILITIES			
Current liabilities			
Trade and other payables	19	**9,310**	10,092
Provisions	20	**380**	404
Unearned premium liabilities	21	**12,863**	13,374
Outstanding claims liabilities	22	**4,242**	4,484
Total current liabilities		**26,795**	28,354
Non-current liabilities			
Provisions	20	**158**	124
Outstanding claims liabilities	22	**210**	310
Total non-current liabilities		**368**	434
Total liabilities		**27,163**	28,788
Net assets		**45,833**	43,438
EQUITY			
Contributed equity	23	**63,157**	63,138
Retained earnings		**(17,324)**	(19,700)
Total equity		**45,833**	43,438

The financial statements on pages 3 to 35 were authorised for issue by the Board of directors on 20 August 2019 and were signed on its behalf.

CE Corfe
Chairman

H Schreuder
Executive Director

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

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Youi NZ Pty Ltd
Statement of changes in equity
For the year ended 30 June 2019

	Contributed equity $'000	Retained profit / (loss) $'000	Total equity $'000
Balance at 1 July 2017	63,170	(30,501)	32,669
Profit for the year	-	10,801	10,801
Total comprehensive income for the year	**-**	**10,801**	**10,801**
Contributions of equity net of transaction costs	(32)	-	(32)
Balance at 30 June 2018	**63,138**	**(19,700)**	**43,438**
Profit for the year	-	2,376	2,376
Total comprehensive income for the year	**-**	**2,376**	**2,376**
Contributions by parent for employee share option cost	19	-	19
Balance at 30 June 2019	**63,157**	**(17,324)**	**45,833**

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 year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash generated from operations	12(b)	**15,692**	(3,159)
Interest received		**1,284**	1,131
Net cash inflow (outflow) from operating activities		**16,976**	(2,028)
Cash flows from investing activities			
Proceeds on disposal of financial assets		**31,282**	32,809
Payments for financial assets		**(48,228)**	(31,282)
Payments for property, plant and equipment	17	**(68)**	(7)
Proceeds on disposal of property, plant and equipment		**6**	348
Net cash (outflow) inflow from investing activities		**(17,008)**	1,868
Net cash inflow (outflow) from financing activities		**-**	-
Net (decrease) in cash and cash equivalents		**(32)**	(160)
Cash and cash equivalents at the beginning of the financial year		**3,048**	3,208
Cash and cash equivalents at end of year	12	**3,016**	3,048

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

Youi NZ Pty Ltd
Notes to the financial statements
30 June 2019

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 general insurance business in New Zealand and insurance call centre services.

The Company is a limited liability company incorporated in New Zealand. The address of its registered office is:
660 Great South Rd
Ellerslie, Auckland 1051
New Zealand

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 ("GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for for-profit entities.

(i) Compliance with IFRS

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

(ii) Statutory base

Youi NZ Pty Ltd is a company registered under the New Zealand Companies Act 1993. The financial statements of the Company have been prepared in accordance with the requirements of the Companies Act 1993 and Part 7 of the Financial Markets Conduct Act 2013.

(iii) New and amended standards adopted by the Company

Application of the new standards and amendments to standards (note 2(aa)) did not have a material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) Early adoption of standards

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2018.

(v) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities initially measured at fair value and subsequently measured at amortised cost.

(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.

(vii) Changes to comparatives

Where necessary, comparatives have been restated to conform to changes in presentation in the current year.

(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.

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation (continued)

(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 statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

(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) Premium revenue

Premium revenue comprises amounts charged to policy holders, including applicable levies and charges such as emergency service levies, but excluding taxes and duties collected on behalf of third parties.

Premium revenue is recognised in the statement of comprehensive income when it has been earned, therefore, from the date of attachment of the risk over the period of the insurance policy, which is usually one year. Over the period of the insurance policy, the premium collected is earned in accordance with the pattern of the underlying exposure to risk expected under the insurance contract, which is closely approximated by the daily pro rata method.

Any proportion of premium revenue received and receivable but not earned in the statement of comprehensive income by the reporting date is recognised in the statement of financial position as an unearned premium liability. The unearned premium liability represents premium revenue which will be earned in subsequent reporting periods.

(ii) Reinsurance and other recoveries

Reinsurance and other recoveries receivable on claims paid, claims reported but not yet paid, claims incurred but not reported and claims incurred but not enough reported are recognised as revenue.

Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims.

(iii) Commission income

Reinsurance commission revenue is recognised in the statement of comprehensive income 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.

(iv) Interest income

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

(v) Management fee income

Management fee income is recognised in the statement of comprehensive income 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.

2. Summary of significant accounting policies (continued)

(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 statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(e) Outward reinsurance expense

Premium ceded to reinsurers is recognised as an expense in the statement of comprehensive income from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Accordingly, a portion of the outward reinsurance premium is treated as a prepayment on the statement of financial position during the period of indemnity.

(f) Insurance claims expenses

Insurance claims expenses consist of claims paid together with the movement in outstanding claims liabilities. Claims are recognised in the statement of comprehensive income as the event giving rise to a loss occurs under the terms of the policy.

Outstanding claims liabilities are measured as the central estimate of the present value of expected future payments at the reporting date under general insurance contracts issued. Expected future payments include payments relating to claims reported but not yet paid, claims incurred but not reported and claims incurred but not enough reported together with estimated direct claims handling costs to be incurred in settling such claims.

The expected future payments are discounted to present value using a risk-free rate where appropriate.

A risk margin is applied to the central estimate to reflect the inherent uncertainty in the central estimate.

(g) Acquisition costs

Acquisition costs include advertising and other selling and underwriting costs incurred in generating insurance premium revenue. Direct acquisition costs are deferred to the extent that they relate to unearned premium revenue and represent a future economic benefit to be obtained.

Deferred acquisition costs are amortised systemically in accordance with the expected pattern of the incidence of risk under the insurance policies to which they relate.

(h) Employee benefits

(i) Short-term obligations

Liabilities for salaries, including non-monetary benefits, annual leave and accumulating personal leave expected to be settled within twelve 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 personal leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as accrued expenses in Trade and Other Payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within twelve 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.

2. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

(ii) Other long-term employee benefit obligations (continued)

The obligations are presented as current liabilities in the statement of financial position 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 the superannuation fund of 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.

(i) 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 . Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the life of the lease.

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 statement of comprehensive income over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

(j) Finance costs

Finance costs are expensed as they are incurred and include interest expense calculated using the effective interest rate method.

(k) Income tax

The income tax expense or revenue for the year is the tax payable on the current year'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 end of 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 tax 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.

2. Summary of significant accounting policies (continued)

(l) 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 year but not distributed at the end of the reporting year.

(m) Impairment of non-financial assets

Intangible assets are initially recorded at cost at the date of acquisition, being the fair value of the consideration. The Company amortises intangible assets with a limited useful life using the straight-line method over the period in which the related economic benefits are expected to be realised. Intangible assets 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). Other assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

(n) Cash and cash equivalents

For Statement of Cash Flow presentation purpose, 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 three months or less that are readily convertible to cash.

(o) Financial assets at amortised cost

The Company classifies its financial assets at amortised cost using the effective interest method if the asset is held for collection of contractual cash flows and the cash flows are solely payments of principal and interest. Financial assets that do not meet this criteria can be classified as either Fair value through Profit and Loss (FVPL) or Fair value through other comprehensive income (FVOCI). Financial assets at amortised cost include cash and cash equivalents, term deposits, interest receivable, amounts due from Group companies and other debtors.

(p) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and are recognised initially at fair value.The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in note 3(c)(ii).

Further Information about the impairment of trade receivables and the Company's exposure to credit risk, foreign exchange risk, and interest rate risk is disclosed in note 3(c).

(q) 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 year in which they are incurred.

2. Summary of significant accounting policies (continued)

(q) Property, plant and equipment (continued)

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

The assets' residual lives and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

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(m)).

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

(r) Intangible assets

(i) Computer software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Amortisation is calculated at a rate applicable to the expected useful life of the asset, over periods of up to 4 years.

(s) Deferred acquisition costs

Direct acquisition costs are deferred to the extent that they relate to unearned premium revenue and represent a future economic benefit to be obtained.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the insurance policies to which they relate.

Deferred acquisition costs are recognised as an asset, limited to the amount by which the related unearned premiums exceed the present value of future expected claims plus settlement and policy maintenance costs relating to the policies in force at the reporting date, plus an appropriate risk margin. Where a shortfall exists, the deferred acquisition cost asset is written down and any remaining excess is recognised as unexpired risk liabilities in the statement of financial position.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying value of trade and other payables are considered to be the same as fair value, due to their short term nature.

(u) 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.

(v) Unearned premium liabilities

Any proportion of premium revenue received and receivable but not earned in profit or loss by the end of the reporting period is recognised in the statement of financial position as an unearned premium liability. The unearned premium liability represents premium revenue which will be earned in subsequent reporting periods.

2. Summary of significant accounting policies (continued)

(w) Unexpired risk liabilities

At the end of the reporting period, the adequacy of the unearned premium liabilities, net of reinsurance, is assessed against the present value of the expected future cash flows resulting from potential future claims relating to unexpired periods of insurance contracts in force at the end of the reporting period, plus an additional risk margin to reflect the inherent uncertainty of the central estimate (liability adequacy test). If the net unearned premium liabilities, less related intangible assets and deferred acquisition costs, are deficient, then the resulting deficiency is recognised immediately in profit or loss.

The deficiency is recognised first by writing off any unrelated intangible assets and deferred acquisition costs, thereafter any excess is recognised as unexpired risk liabilities in the statement of financial position.

(x) Outstanding claims liabilities

Outstanding claims liabilities are measured as the central estimate of the present value of expected future payments at the end of the financial period under general insurance contracts issued. Expected future payments include payments relating to claims reported but not yet paid, claims incurred but not reported and claims incurred but not enough reported together with estimated claims handling costs to be incurred in settling such claims.

The expected future payments are discounted to present value using a risk-free rate where appropriate.

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate.

Recoveries from third parties are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Reinsurance and other recoveries receivable are recognised separately as an asset.

(y) 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.

(z) 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.

2. Summary of significant accounting policies (continued)

(aa) New and amended standards adopted by the company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018.

Number	Effective Date	Summary and Impact
NZ IFRS 15 - Revenue from contracts with customers	1 January 2018 (published July 2014 and amendment published April 2016)	NZ IFRS 15 Revenue from Contracts with Customers has been applied from 1 July 2018. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model required the Company to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.The significant majority of the Company's revenue is accounted for in accordance with NZ IFRS 4 Insurance contracts and NZ IFRS 9 Financial instruments, which are scoped out of NZ IFRS 15. There are no material changes to revenue recognition under NZ IFRS 15. Consequently, there is no significant financial impact on the Company at 1 July 2018 upon adoption of NZ IFRS 15.
NZ IFRS 9 - Financial Instruments Financial liabilities; Derecognition of financial instruments; Financial assets; and General hedge accounting	1 January 2018 (published July 2014)	The standard replaces NZ IAS 39 Financial Instruments: Recognition and Measurement. It addresses classification and measurement requirements for financial assets and financial liabilities, including a forward-looking impairment model of expected credit losses.The adoption of NZ IFRS 9 from 1 July 2018 resulted in a change of accounting policy. The new accounting policy is set out in note 1 (q). On 1 July 2018, management assessed which business models to apply to its financial instruments and classified them into appropriate NZ IFRS 9 categories. The NZ IFRS 9 classification, measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet with no restatement of comparatives on initial recognition. On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). The classification is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Bank term deposit debt instruments previously measured at FVPL, have been reclassified to amortised cost under NZ IFRS 9. The business model is "hold to collect" and the cash flows represent payments of principal and interest. The change in classification, measurement and impairment under NZ IFRS 9 resulted in no material adjustments to the 1 July 2018 opening retained earnings.All of the Company's financial assets and financial liabilities within the scope of NZ IFRS 9 are classified as at amortised cost.

2. Summary of significant accounting policies (continued)

(ab) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Number	Effective Date	Summary and Impact
NZ IFRS 16 - Leases	1 January 2019 - earlier application permitted if IFRS 15 is also applied (published January 2016)	NZ IFRS 16 will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Company has set up a project team which has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in NZ IFRS 16. The standard will affect primarily the accounting for the Company's operating leases. As at 30 June 2019, the Company has non-cancellable operating lease commitments of $1,908,000, refer to note 26. On adoption, the Company expects to recognise right-of-use assets and lease liabilities of approximately $2,000,000. The Company expects that net profit before tax will decrease by approximately $100,000 for 30 June 2020 with changes in classification between administration expenses and finance costs. Operating cash flows will increase and financing cash flows decrease by an equivalent amount as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The Company will apply the standard from its mandatory adoption date of 1 July 2019.
NZ IFRS 17 - Insurance Contracts	1 January 2021 (published May 2017) Earlier application is permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied	NZ IFRS 17 was issued in July 2017 as replacement for NZ IFRS 4 Insurance Contracts and is effective for periods beginning 1 January 2021. The standard introduces a new general measurement model for accounting for insurance contracts, with the application of a simplified approach permitted in certain circumstances. Under the general model, contracts are measured using discounted probability-weighted cash flows, incorporating an explicit risk adjustment, and a contract service margin that represents the unearned profitability of insurance contracts to be recognised over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts that meet specific criteria. The new rules will affect the financial statements and key performance indicators. The Company is undertaking a detailed impact assessment of the new standard and changes in the presentation of the financial statements and disclosures is anticipated.

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) and a Reinsurance Management Strategy (REMS) which are approved annually by the Board of directors and lodged with the Australian Prudential Regulation Authority.

Risk and governance oversight is provided by the Company's Board of directors, the Group's Board Audit Committee and Board Risk Committee. Oversight is also provided by OUTsurance Holdings Limited Board of directors, Board Audit Committee and Board 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.

(a) Insurance risk management

The principal activity of the Company comprises the assumption of possible loss arising from risks to which the Company is exposed through the sale of short-term insurance contracts. Insurance risks to which the Company is exposed relate to personal lines motor vehicle, home buildings and contents, watercraft, liability and other defined perils that may result from a contract of insurance.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of insurance contracts, this risk is random and therefore unpredictable.

The theory of probability forms the core basis of the insurance risk management model. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, the Company can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio. Physical impacts of climate change, significant weather events and natural hazards are unpredictable in nature, timing and extent, which expose the Company to the risk that the effect of future insured losses could exceed the expected value of such losses.

The Company manages its insurance risk through its underwriting and reinsurance strategies as described below.

(i) Underwriting strategy

The Company aims to diversify the pool of insured perils through writing a balanced portfolio of insurance risks across a large geographical area. Insurance products are priced using statistical regression techniques which identify risk factors through correlations identified in past loss experiences. Risk factors would typically include factors such as the age of the insured person, past loss experiences, the type and value of the asset covered, security measures taken to protect the asset, major use of the covered asset, etc. Risks are priced and accepted on an individual basis and as such there is minimal cross subsidy between risks. Insurance premiums charged for a certain pool of risks are adjusted frequently according to the normalised loss ratios experienced on that pool of risks.

Insurance risk is monitored within the Company on a daily basis to ensure that risks accepted by the Company for its own account are within the limits set by the Board. Exception reporting is used to identify areas of concentration risk to enable management to consider the levels adopted in the reinsurance program covering that pool of risk.

Risks are rated individually by the computer system based on data captured onto the system for each risk by the policyholder online or by the Company's staff. Conditions and exclusions are automatically set at an individual risk level. Individual risks are automatically accepted up to predetermined thresholds, which vary by risk type. Risk with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance program can be accepted without the necessary facultative cover being arranged.

Multi-claimants are monitored and managed by increasing the conditions of cover or ultimately cancelling cover.

3. Risk management (continued)

(a) Insurance risk management (continued)

(ii) Reinsurance strategy

The Company reinsures a portion of the risk it assumes through its reinsurance program in order to control the exposure of the Company to losses arising from insurance contracts and in order to protect the profitability and the capital of the Company. A suite of treaties is purchased in order to limit losses suffered from individual and collective insurance risks. Facultative reinsurance is purchased for certain individual risks that have been identified as being outside the limits set for these risks. The retention limits are modelled to optimise the balance between acceptable volatility and reinsurance cost. Acceptable volatility is defined by the limits set by the Board of directors.

The Company only enters into reinsurance agreements with reinsurers which have credit ratings from Standard & Poor or AM Best of at least A-.

(iii) Concentration risk

Risk concentrations are monitored by means of exception reporting. When large risks are underwritten individually, the impact which they could have on risk concentrations is considered before they are accepted. Marketing efforts are also coordinated to attract business from a wide geographical spread. Risks which could lead to an accumulation of claims as a result of a single event are declined. Focus is placed on attracting large numbers of relatively small independent risks which would lead to a stable and predictable claims experience.

The Company is not currently exposed to a significant concentration of insurance risk. The Company has also entered into a catastrophe excess of loss reinsurance treaty that would limit the loss of the Company to pre-determined levels following the occurrence of a localised catastrophe in any one area.

(iv) Exposure to catastrophes

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day. Catastrophe limits are set so as to render satisfactory results to these simulations. The catastrophe cover is also placed with reinsurers with a credit rating from Standard & Poor's or AM Best of at least A-. These reinsurance models are run at least twice annually to take account of changes in the portfolio and to take the latest potential loss information into account.

(v) Claims management risk

Claims management risks comprise the Company's exposure to additional or increased losses as a result of weaknesses in controls and systems surrounding the claims management process, as well as inadequate provisioning for outstanding claims liabilities.

The Company manages the risk arising from its claims management function by providing clearly defined delegations of authority and claims settlement procedures, including criteria for accepting or rejecting claims. Rejected claims are referred to the Claims Committee and any disputes are referred to the Internal Dispute Resolution Committee.

The Company's approach to determining outstanding claims liabilities and managing the uncertainties relating to this estimate is set out in note 4.

(b) Operational risk management

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

3. Risk management (continued)

(b) Operational risk management (continued)

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 Internal Risk Committee, the Board Risk Committee, the Board Audit 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 function.

(c) 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.

(i) Market risk

- *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 (AUD) and the South African Rand (ZAR).

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:

	30 June 2019		30 June 2018	
	AUD	**ZAR**	AUD	ZAR
	$'000	**$'000**	$'000	$'000
Trade and other receivables	**-**	**-**	203	2
Trade and other payables	**-**	**6**	-	3

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.

- *Price risk*

The Company is not exposed to any significant price risk, due to the conservative investment management policy. There is no exposure to price risk on term deposit investments as they are held to maturity.

- *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 twelve months. Hedging is not considered appropriate for such short term exposures.

3. Risk management (continued)

(c) Financial risk management (continued)

(i) Market risk (continued)

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

	30 June 2019		30 June 2018	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Money at call at variable interest rates	**1.29%**	**3,016**	1.28%	3,048
Term deposits at fixed interest rates	**3.22%**	**48,228**	3.52%	31,282

Company sensitivity

At 30 June 2019, 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 $308,000 (2018: $253,000) higher/lower mainly as a result of higher/lower interest income from cash and cash equivalents and term deposits.

(ii) Credit risk

Credit risk arises from
- cash and cash equivalents (deposits with banks and financial institutions),
- exposures to customers, including outstanding receivables and committed transactions, and
- amounts due by reinsurers relating to their share of insurance liabilities.

Cash and cash equivalents and term deposit investments

The Company's investment in cash and term deposits measured at amortised cost are considered to have low credit risk. On adoption of NZ IFRS 9, the loss allowance was not deemed material as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

Trade and other receivables

Trade and other receivables in scope for NZ IFRS9 are all short-term, are measured at amortised cost and are considered to have low expected credit loss rates as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

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.

Reinsurance credit exposure

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that the gross claim is paid. However, the Company remains liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the Company is exposed to credit risk. The Company reviews its reinsurance agreements on an annual basis and ensures the appropriate credit quality of any reinsurer prior to renewing or entering an agreement. Participants on the program are required to hold a minimum rating of A- from Standard & Poor's or AM Best.

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

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Notes to the financial statements
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(continued)

3. Risk management (continued)

(c) Financial risk management (continued)

(ii) Credit risk (continued)

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

	2019 $'000	2018 $'000
Cash and cash equivalents		
Counterparties with external credit rating (Standard & Poor's)		
Short-term rating A-1+	**3,016**	3,048

	2019 $'000	2018 $'000
Term deposits		
Counterparties with external credit rating (Standard & Poor's)		
Short-term rating A-1+	**48,228**	31,282
Trade and other receivables		
Counterparties with external credit rating (Standard & Poor's)		
Short-term rating A-1+	**710**	539
Counterparties without external credit rating		
All amounts	**10,608**	24,641
Total trade and other receivables	**11,318**	25,180
Reinsurance and other recoveries		
Counterparties with external credit rating (AM Best)		
Rating A+	**2,921**	3,146
Rating A	**42**	812
Rating A-	**4**	107
Counterparties without external credit rating		
All amounts	**588**	649
Total reinsurance and other recoveries	**3,555**	4,714

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

(iii) 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. The Company maintains flexibility in funding by keeping committed credit lines available with its parent entity. 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 cash flows for the remaining period at the end of the reporting period to the contractual maturity date.

3. Risk management (continued)

(c) Financial risk management (continued)

(iii) Liquidity risk (continued)

	Less than 1 year $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
At 30 June 2019				
Trade and other payables	**9,310**	**-**	**9,310**	**9,310**
Provisions	**380**	**158**	**538**	**538**
Outstanding claims liabilities	**4,242**	**210**	**4,452**	**4,452**
Total financial liabilities	**13,932**	**368**	**14,300**	**14,300**

	Less than 1 year $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
At 30 June 2018				
Trade and other payables	10,092	-	10,092	**10,092**
Provisions	404	124	528	**528**
Outstanding claims liabilities	4,484	310	4,794	**4,794**
Total financial liabilities	14,980	434	15,414	**15,414**

(iv) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes. Except where disclosed otherwise, the fair value of financial assets and liabilities approximate their carrying value.

Except for inter-company balances arising as a result of the assumption of tax losses by the head entity, 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.

(d) 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.

The Reserve Bank of New Zealand (RBNZ) imposes solvency standards on the Company, as a licensed general insurer. The Company complied with these requirements during the financial period. The Company's strategy is to maintain a solvency coverage of at least 150%. For further detail regarding the Company's regulatory capital position, refer to note 23(b).

4. Critical estimates, judgements and errors

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.

4. Critical estimates, judgements and errors (continued)

(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) The ultimate liability arising from claims made under insurance contracts

Outstanding claims liabilities are measured as the central estimate of the present value of expected future payments at the reporting date under general insurance contracts issued. Expected future payments include payments relating to claims reported but not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) together with estimated direct claims handling costs to be incurred in settling such claims.

The expected future payments are discounted to present value using a risk-free rate where appropriate.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The estimation of the IBNR portion is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claims is generally available.

Claims reported to the Company by the reporting date are estimated with regard to the particular circumstances of the claim. Estimates are updated regularly as new information arises.

Estimates of the IBNR and the IBNER portions are calculated with reference to statistical analyses of historical claims experience that assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made for changes or uncertainties inherent in the underlying statistics which may cause the cost of unsettled claims to differ from the cost of comparable previous claims.

A risk margin is applied to the central estimate of outstanding claims liabilities, IBNR and IBNER, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate.

(ii) Assets arising from reinsurance contracts and other recoveries

Estimates of reinsurance and other recoveries are also calculated using the methods described above. In addition, the recoverability of these assets is assessed on a periodic basis to ensure the balance reflects the amounts that are expected to be ultimately received, taking into account such factors as counterparty credit risk.

(iii) Deferred acquisition costs

Deferred acquisition costs are recognised as an asset, limited to the amount by which the related unearned premiums exceed the present value of future expected claims plus settlement and policy maintenance costs relating to the policies in force at the reporting date, plus an appropriate risk margin. Where a shortfall exists, the deferred acquisition cost asset is written down and any remaining excess is recognised as unexpired risk liabilities in the statement of financial position.

Therefore, the recoverability of deferred acquisition costs is dependent on the estimates regarding the present value of future expected claims and settlement costs as described above.

(iv) Actuarial assumptions and methods

Valuations of the outstanding claims liabilities and related reinsurance and other recoveries receivable are performed by the Company's Appointed Actuary. These valuations are underpinned by a number of assumptions, which are described below.

The Company's business consists mostly of personal lines insurance, covering motor vehicle, home buildings and contents, watercraft, liability and other defined perils. In addition, a small portfolio of business liability is in force, covering small businesses. For the risks covered, there is not a significant time delay between the occurrence of the event giving rise to a claim and the claim being settled by the Company, therefore, projected payments are not discounted as claims are expected to be settled within 12 months after the end of the reporting period.

4. Critical estimates, judgements and errors (continued)

(a) Critical accounting estimates and assumptions (continued)

(iv) Actuarial assumptions and methods (continued)

The cost of claims reported to the Company at the end of the reporting period is estimated with regard to the particular circumstances of the claim.

Estimates of the IBNR and the IBNER portions are calculated with reference to statistical analyses of historical claims experience that assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made for changes or uncertainties inherent in the underlying statistics which may cause the cost of unsettled claims to differ from the cost of comparable previous claims.

The following assumptions have been made in determining the outstanding claims liabilities:

	2019	2018
Gross loss ratio for the year	**50%**	63%
Non-reinsurance recoveries ratio - vehicle/watercraft	**19%**	18%
Claims handling expense ratio - vehicle/watercraft	**8%**	7%
Claims handling expense ratio - home	**2%**	2%
Risk margin - vehicle/watercraft	**15%**	15%
Risk margin - home	**30%**	25%

A description of the processes used to determine these assumptions is provided below:

Gross loss ratio
The gross loss ratio is calculated with reference to past experience while adjusting for any expected changes in the future loss experience.

Non-reinsurance recoveries
The non-reinsurance recoveries assumption has been based on industry benchmarks and past experience.

Claims handling expense ratio
The future claims handling expense ratios are calculated with reference to past experience of claims handling costs as a percentage of claims payments.

Risk margin
The risk margin is determined allowing for the relative uncertainty of the outstanding claims estimate for each class of business. Uncertainty is analysed for each class taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data, the general insurance environment and the impact of legislative changes.

Company sensitivity
The table below summarises the sensitivity of the net outstanding claims liabilities to changes in key variables.

	Change in variable	**Profit after tax $'000**	**Equity $'000**
30 June 2019			
Gross outstanding payments	**+/- 10%**	**-/+ 63**	**-/+ 63**
Non-reinsurance recoveries ratio - vehicle	**+/- 15%**	**+/- 14**	**+/- 14**
Claims handling expense ratio	**+/- 20%**	**-/+ 19**	**-/+ 19**
Risk margin	**+/- 20%**	**-/+ 28**	**-/+ 28**
30 June 2018			
Gross outstanding payments	+/- 10%	-/+ 70	-/+ 70
Non-reinsurance recoveries ratio - vehicle	+/- 15%	+/- 15	+/- 15
Claims handling expense ratio	+/- 20%	-/+ 19	-/+ 19
Risk margin	+/- 20%	-/+ 28	-/+ 28

4. Critical estimates, judgements and errors (continued)

(a) Critical accounting estimates and assumptions (continued)

(v) Appointed Actuary

Simone Collins is the Appointed Actuary for the Company. She is a Fellow of the Institute of Actuaries of Australia. The Appointed Actuary has no relationships (other than that of actuary) and interests in the Company (or any of the related bodies corporate).

(vi) Deferred tax - unrecognised losses

The Company has not recognised a net deferred tax asset of $4,657,000. The net deferred tax asset comprises a deferred tax asset in respect of unused tax losses and a net deferred tax asset in respect of other deductible and taxable temporary differences. The Company has not recognised the net deferred tax asset on the basis that it is too early to determine with certainty the probability that future taxable amounts will be available to utilise those deferred tax assets. Once the Company is satisfied that it is probable that future taxable amounts will be available to utilise the deferred tax asset, 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 results: decrease the income tax expense and increase the deferred tax asset by approximately $4,657,000 (2018: $5,332,000).

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

(i) Going concern

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

5. Net premium revenue

	Notes	2019 $'000	2018 $'000
Gross written premium		**24,000**	24,606
Movement in gross unearned premium liabilities and unexpired risk liabilities	21	**511**	1,399
Gross earned premium revenue		**24,511**	26,005
Outward reinsurance expense		**(19,279)**	(20,292)
Net premium revenue		**5,232**	5,713

6. Investment income

	2019 $'000	2018 $'000
Interest income	**1,455**	1,223

7. Other operating income

	2019 $'000	2018 $'000
Policy cancellation fees	**104**	132
Management fees received from Group companies	**8,407**	29,645
Foreign currency exchange gain / (loss)	**8**	(5)
Other	**42**	40
	8,561	29,812

8. Net insurance claims expense

	Notes	2019 Current year $'000	2019 Prior years $'000	2019 Total $'000	2018 Current year $'000	2018 Prior year $'000	2018 Total $'000
Gross claims paid		**11,179**	**3,972**	**15,151**	15,323	4,661	19,984
Movement in outstanding claims		**4,272**	**(4,614)**	**(342)**	4,749	(4,017)	732
Gross claims incurred	22	**15,451**	**(642)**	**14,809**	20,072	644	20,716
Reinsurance and other recoveries	22	**(12,072)**	**255**	**(11,817)**	(15,976)	(920)	(16,896)
Net insurance claims expenses		**3,379**	**(387)**	**2,992**	4,096	(276)	3,820

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial periods.

9. Operating expenses

	Notes	2019 $'000	2018 $'000
Profit before income tax includes the following specific expenses:			
Depreciation	17	**135**	495
Amortised software	18	**7**	29
Rental expenses relating to operating leases		**1,194**	2,114
Net loss on disposal of property, plant and equipment		**2**	666
Employee benefits			
Short-term employee benefits		**9,267**	16,359
KiwiSaver expense		**186**	344
Share based payments expense		**19**	(32)
		9,472	16,671

Share based payment expenses for the issue of shares in the holding company, Youi Holdings Pty Ltd, are bourne by Youi NZ Pty Ltd as the participants are employed by Youi NZ Pty Ltd.

10. Remuneration of auditors

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

Network firms of PricewaterhouseCoopers	2019 $	2018 $
Audit of financial statements	**98,980**	110,691
Non-audit services - Taxation services	**42,709**	21,110
Solvency return assurance services	**18,000**	15,000
Non-audit services - Advisory	**10,000**	5,018
	169,689	151,819

10. Remuneration of auditors (continued)

Included in the above fees are $19,000 (2018: $14,000) for Pricewaterhouse Coopers New Zealand for the audit of the financial statements and $12,000 (2018: $10,000) for the solvency return assurance services . The remaining work was performed by network firm PricewaterhouseCoopers Australia. It is the Company's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise and experience with the Company are important and not in conflict with their audit role. These non-audit advisory services include taxation services in relation to consultation and preparation of New Zealand income tax returns for the Company and external actuarial peer review of the reasonableness of the appointed actuary's work on insurance liability valuation. Management remains responsible for all decisions arising from these services.

11. Income tax expense

(a) Income tax expense

	2019 $'000	2018 $'000
Income tax expense	**-**	-

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

	2019 $'000	2018 $'000
Profit before income tax	**2,376**	10,801
Tax at the New Zealand tax rate of 28%	**665**	3,024
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**5**	9
Share based payments expense	**5**	(9)
Other permanent differences	**-**	87
Unrecognised deferred tax on timing differences	**(413)**	(3,098)
Unrecognised tax losses	**(262)**	(13)
Income tax expense	**-**	-
Total deferred tax asset not recognised due to unused tax losses	**(4,657)**	(5,332)

12. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and in hand	**3,016**	3,048

(a) Interest rate risk and credit exposure

The Company's exposure to interest rate and credit risk in relation to cash and cash equivalents is discussed in note 3(c).

12. Cash and cash equivalents (continued)

(b) Cash generated from operations

	2019 $'000	2018 $'000
Profit before income tax	**2,376**	10,801
Investment income	**(1,455)**	(1,223)
Depreciation and amortisation	**142**	524
Share based payments	**19**	(32)
Net loss on disposal of property, plant and equipment	**2**	666
Change in operating assets and liabilities		
- Decrease / (increase) in trade and other receivables	**14,033**	(11,715)
- (Increase) / decrease in deferred reinsurance expense	**(268)**	34
- Decrease / (increase) in reinsurance and other recoveries	**1,159**	(1,799)
- Decrease in deferred acquisition costs	**1,309**	1,841
- (Decrease) / increase in trade and other payables	**(782)**	1,221
- Decrease in provisions - current liabilities	**(24)**	(476)
- Decrease in unearned premium liabilities	**(511)**	(1,399)
- (Decrease) / increase in outstanding claims liabilities	**(342)**	732
- Increase / (decrease) in provisions - non-current liabilities	**34**	(2,334)
Cash generated from operations	**15,692**	**(3,159)**

13. Term deposits

Financial assets at amortised cost	2019 $'000	2018 $'000
Term deposits (2018: Fair value through profit and loss)	**48,228**	31,282

(a) Interest rate risk and credit risk exposure

The Company's exposure to interest rate risk and credit risk in relation to term deposits is discussed in note 3(c).

(b) Classification of financial assets

Term deposits were previously classified as fair value through profit and loss. See note 2 (ab) for the impact of the change in accounting policy following the adoption of NZ IFRS 9 on the classification of term deposits.

Term deposits with a maturity of three months or less that are readily converted to cash are presented within cash and cash equivalents. Term deposits of $423,000 (2018: $917,000) are pledged to the Company's bank as security for bank guarantees against the Company's lease liabilities in respect of its leased premises.

14. Trade and other receivables

	Notes	2019 $'000	2018 $'000
Premium receivable		**10,608**	11,410
Interest receivable		**710**	539
Refundable deposits		**-**	24
Amounts due from Group companies	25	**-**	13,205
Other		**-**	2
		11,318	25,180

(a) Impairment and 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(c).

(b) Fair value

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

15. Reinsurance and other recoveries receivable

	2019 $'000	2018 $'000
Expected future reinsurance and other recoveries		
- on claims paid	**174**	1,075
- on outstanding claims	**3,381**	3,639
Reinsurance and other recoveries receivable	**3,555**	4,714
Reinsurance and other recoveries receivable - current	**3,226**	4,382
Reinsurance and other recoveries receivable - non-current	**329**	332
	3,555	4,714

16. Deferred insurance assets

	2019 $'000	2018 $'000
Deferred reinsurance expense		
Deferred reinsurance at the beginning of the year	**5,617**	5,651
Net reinsurance premiums paid during the year	**19,547**	20,258
Net reinsurance premiums charged to the statement of comprehensive income	**(19,279)**	(20,292)
Deferred reinsurance at the end of the year	**5,885**	5,617
Deferred acquisition costs		
Deferred acquisition costs at the beginning of the year	**2,061**	3,902
Acquisition costs deferred during the year	**1,768**	4,290
Amortisation charged to the statement of comprehensive income	**(3,077)**	(6,131)
Deferred acquisition costs at the end of the year	**752**	2,061

17. Property, plant and equipment

	Notes	Leasehold improve-ments $'000	Computer equipment $'000	Furniture, fittings and equipment $'000	Total $'000
Year ended 30 June 2018					
Opening net book amount		1,334	83	394	1,811
Additions		-	3	4	7
Disposals		(888)	(2)	(124)	(1,014)
Depreciation charge	9	(303)	(75)	(117)	(495)
Closing net book amount		143	9	157	309
As at 30 June 2018					
Cost or fair value		281	1,006	493	1,780
Accumulated depreciation		(138)	(997)	(336)	(1,471)
Net book amount		143	9	157	309
Year ended 30 June 2019					
Opening net book amount		143	9	157	309
Additions		20	45	3	68
Disposals		-	-	(8)	(8)
Depreciation charge	9	(44)	(16)	(75)	(135)
Closing net book amount		119	38	77	234
As at 30 June 2019					
Cost or fair value		301	1,012	445	1,758
Accumulated depreciation		(182)	(974)	(368)	(1,524)
Net book amount		119	38	77	234

Depreciation and useful lives are disclosed under note 2(q).

18. Intangible assets

	Notes	2019 $'000	2018 $'000
Software			
Opening net book amount		**15**	44
Amortisation charge	9	**(7)**	(29)
Closing net book amount		**8**	15
Software			
Cost or fair value		**153**	142
Accumulated amortisation and impairment		**(145)**	(127)
Net book amount		**8**	15

19. Trade and other payables

	Notes	2019 $'000	2018 $'000
Reinsurance payable		**6,219**	4,762
Indirect taxes, duties and levies payable		**1,972**	1,631
Accrued expenses		**791**	3,409
Trade payables		**126**	287
Amounts due to Group companies	25	**202**	3
		9,310	10,092

20. Provisions

	2019			2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**380**	**34**	**414**	404	-	404
Lease make good	**-**	**124**	**124**	-	124	124
	380	**158**	**538**	404	124	528

(a) Employee benefits

The current provision for employee benefits includes accrued annual leave. The entire amount of the provision for annual leave 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) Movement in provisions

Movements in each class of provision during the financial year are set out below:

	Employee benefits $'000	**Lease make good $'000**	**Total $'000**
Carrying amount at start of year	404	124	**528**
Charged/(credited) to profit or loss			
- additional provisions recognised	342	-	**342**
- amounts used during the period	(332)	-	**(332)**
Carrying amount at end of year	**414**	**124**	**538**

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21. Premium liabilities

(a) Reconciliation of movement

	Notes	2019 $'000	2018 $'000
Unearned premium liabilities at the beginning of the year		**13,374**	14,773
Premiums written during the year	5	**24,000**	24,606
Premiums earned during the year	5	**(24,511)**	(26,005)
Unearned premium liabilities at the end of the year		**12,863**	13,374

(b) Liability adequacy test

The application of the liability adequacy test in respect of the net premium liabilities identified a surplus at 30 June 2019 and at 30 June 2018.

(c) Risk margin

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. The risk margin was calculated to achieve a probability of adequacy of 75%.

The risk margins applied are as follows:

	2019	2018
Vehicle	**20%**	20%
Home	**15%**	15%
Watercraft	**20%**	20%

22. Outstanding claims liabilities

	2019 $'000	2018 $'000
Gross outstanding claims	**3,523**	3,876
Claims handling costs	**135**	135
Central estimate	**3,658**	4,011
Risk margin	**794**	783
Gross outstanding claims liabilities	**4,452**	4,794
Outstanding claims liabilities - current	**4,242**	4,484
Outstanding claims liabilities - non-current	**210**	310
Central estimate	**4,452**	4,794

(a) Risk margin

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. The risk margin was calculated to achieve a probability of adequacy of 75%.

The risk margins applied are as follows:

	2019	2018
Vehicle	**15%**	15%
Home	**30%**	25%
Watercraft	**15%**	15%

22. Outstanding claims liabilities (continued)

(b) Movements in outstanding claims liabilities

	Gross $'000	Reinsurance & other recoveries $'000	Net $'000
Year ended 30 June 2018			
Outstanding claims liabilities at the beginning of the year	4,062	2,915	**1,147**
Claims incurred during the year - current year	20,072	15,976	**4,096**
Claims incurred during the year - change in previous year's estimate	644	920	**(276)**
Claims paid during the year	(19,984)	(16,172)	**(3,812)**
Outstanding claims liabilities at the end of the year	**4,794**	**3,639**	**1,155**

	Gross $'000	Reinsurance & other recoveries $'000	Net $'000
Year ended 30 June 2019			
Outstanding claims liabilities at the beginning of the year	4,794	3,639	**1,155**
Claims incurred during the year - current year	15,451	12,072	**3,379**
Claims incurred during the year - change in previous year's estimate	(642)	(255)	**(387)**
Claims paid during the year	(15,151)	(12,075)	**(3,076)**
Outstanding claims liabilities at the end of the year	**4,452**	**3,381**	**1,071**

(c) Claims development

Due to the inherently short-tail business underwritten by the Company, the amount paid on claims older than one year is an insignificant portion of total claims paid during a particular year. Claims development tables are therefore not presented.

23. Contributed equity

(a) Contributed equity

(i) Share capital

	2019 Shares	2019 $'000	2018 Shares	2018 $'000
Ordinary shares (no par value)				
- Issued and fully paid	**630,000,000**	**63,000**	630,000,000	63,000
Total ordinary share capital	**630,000,000**	**63,000**	630,000,000	63,000
Contribution by parent for employee share option costs	**-**	**157**	-	138
Total contributed equity	**630,000,000**	**63,157**	630,000,000	63,138

23. Contributed equity (continued)

(a) Contributed equity (continued)

(ii) Ordinary shares

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

(b) Capital management

	Notes	2019 $'000	2018 $'000
Capital			
- Qualifying ordinary shares		**63,157**	63,138
- Accumulated losses at the end of the reporting period		**(17,324)**	(19,700)
Less Deductions from capital		**(8)**	(14)
Actual solvency capital		**45,825**	43,424
Minimum solvency capital		**3,000**	6,938
Solvency margin		**42,825**	36,486
Solvency ratio		**1528%**	**626%**

24. Key management personnel

(a) Directors

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

(i) Chairman - non-executive

CE Corfe

(ii) Executive directors

FX Costigan - resigned 27 August 2018

M Le Long - from 10 September 2018

H Schreuder - from 27 August 2018

(iii) Non-executive directors

H Aron - resigned 27 August 2018

JC Charlston - resigned 30 June 2019

MG Goldfinch

JF Hughes

CLC Ogilvie - resigned 27 August 2018

MC Visser

(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:

Name	*Position*	*Employer*
T Cain	Chief Financial Officer	Youi Pty Ltd
BA Bakker	Chief Operating Officer - Actuarial & Analytics	Youi Pty Ltd

24. Key management personnel (continued)

(c) Key management personnel compensation

	2019 $	2018 $
Short-term employee benefits	**370,625**	109,128

(d) Loans to key management personnel

There were no loans to or from key management personnel.

(e) Other transactions with key management personnel

Transactions with key management personnel and their related parties are conducted on arm's length commercial terms and conditions. The results of insurance policies held with the Company during the period were as follows:

	2019 $	2018 $
Insurance premiums received	**4,700**	-
Insurance claims paid	**616**	-

25. 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 compensation

Disclosure relating to key management personnel is set out in note 24.

(c) Transactions with other related parties

The following transactions occurred with related parties:

	2019 $	2018 $
Sales of goods and services		
Management fee received from group companies	**8,406,885**	29,644,739
Purchase of goods and services		
Management fee paid to group companies	**2,570,680**	5,476,698

The Company and its parent Group in Australia agreed to adjustments in the transfer pricing arrangements in place between the various Youi Group entities. These changes have been applied historically since inception of the Company to more appropriately reflect the economic substance of historic transactions and an amount of $13,000,000 for the year ended 30 June 2018 is included in sales of goods and services above.

25. Related party transactions (continued)

(d) Outstanding balances arising from transactions with related parties

	2019 $	2018 $
Payables to group companies		
Balances payable at the beginning of the year	**3,284**	36,586
Amounts advanced	**202,245**	11,240,704
Amounts repaid	**(3,533)**	(11,274,006)
Balances payable at the end of the year	**201,996**	3,284

	2019 $	2018 $
Receivables with group companies		
Balances receivable at the beginning of the year	**13,205,378**	122,078
Amounts advanced	**9,003,777**	16,858,049
Amounts repaid	**(22,209,155)**	(3,774,749)
Balances receivable at the end of the year	**-**	13,205,378

(e) Terms and conditions

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

26. Commitments

(a) Non-cancellable operating leases

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

	2019 $'000	2018 $'000
Commitments for minimum lease payments:		
Within one year	**703**	801
Later than one year but not later than five years	**1,205**	2,033
Later than five years but not later than ten years	**-**	-
	1,908	2,834

27. Contingencies

The Company had no known contingent assets or liabilities at 30 June 2019.

28. Events occurring after the reporting period

No further matters or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Company's operations the results of those operations, or the Company's state of affairs in future financial years.

Youi NZ Pty Ltd
Section 78 Appointed Actuary's Report
As at 30 June 2019

This report has been prepared in accordance with section 78 of the Insurance Prudential Supervision Act 2010 ("Act") and details the review of the actuarial information, as defined in section 77(4), used in the preparation of the Youi NZ Pty Limited ("Youi") 30 June 2019 financial statements as required under section 77 of the Act ("review"). It states the following:

(a) The review was carried out by Simone Collins, Youi's Appointed Actuary.

(b) The Appointed Actuary reviewed the actuarial information and financial statements.

(c) The review covers actuarial information in, or used in the preparation of, financial statements. There was no limitation to the review of actuarial information carried out by the Appointed Actuary.

(d) The relationships (other than that of actuary) and interests that the actuary has in Youi (or any of the related bodies corporate) are as follows:

   (i) None

(e) All the information and explanations required by the Appointed Actuary were provided.

(f) In the opinion of the Appointed Actuary and from an actuarial perspective:

   (i) The actuarial information contained in the financial statements has been appropriately included in those statements; and

   (ii) The actuarial information used in the preparation of the financial statements has been used appropriately.

(g) In the opinion of the Appointed Actuary, Youi is maintaining the solvency margin that applies under a condition imposed under section 21 (2) (b) of the Act at 30 June 2019.

(h) Youi does not underwrite any life insurance products. As such, no opinion under section 78(h) of the Act is required.

This report is not required to be prepared in accordance with professional standard 9.2: Communication of Professional Advice of the New Zealand Society of Actuaries. All matters that are required under that standard are contained within the 30 June 2109 Insurance Liabilities Valuation Report and 30 June 2019 Financial Condition Report.

Simone Collins
Appointed Actuary
Youi NZ Pty Limited
Fellow of the Institute of Actuaries of Australia