Momentum Life®

2018 annual report

Momentum Life is a registered New Zealand life insurance company with a straightforward mission: to put the needs of our customers first – making insurance simple, accessible and affordable.

We believe that all New Zealanders deserve the peace of mind insurance can bring, and we are working to make this attainable for all. Our range of products is designed to provide easy to get, value for money insurance solutions at every stage of life. That way, families can have access to much needed financial support during their time of need.

We're also dedicated to giving each customer a great experience – and are a proud winner of the Feefo Gold Trusted Service Award in both 2017 and 2018.

2017 Gold Trusted Service ★★★★★ feefo

2018 Gold Trusted Service ★★★★★ feefo

In the community

At Momentum Life, we believe in giving back to the community. We are pleased to be a partner of Heart Kids, the only New Zealand charity dedicated to providing lifelong care and support to kids and families living with Childhood Heart Defects (CHD).

Heart Kids receives no government funding, a big reason why we are supporting their valuable work. Momentum Life backs Heart Kids through ongoing charity initiatives and donates a portion of all first-year premiums to support their activities.

we proudly support HeartKids

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ANNUAL REPORT

The address for service for Momentum Life Limited (the Parent) is c/o HWI Limited, Level 3, 139 Carlton Gore Road, Auckland 1023, New Zealand. The principal activity of the Parent is the provision of life insurance.

Pursuant to section 211(3) of the Companies Act 1993 (the Act), the shareholder of the Parent has agreed that the Annual Report need not comply with any of the paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be provided in this Annual Report other than the financial statements for the year ended 30 June 2018 and the audit report on those financial statements.

Signed for and on behalf of the Board of Directors:

Martin Philipsen
Chairman

Russell Hugh Howden
Managing Director

14 September 2018

FINANCIAL STRENGTH RATING INFORMATION

As at 14 September 2018 the Parent has a B++ (Good) Insurer Financial Strength rating given by A.M.Best. The following table describes the A.M. Best ratings available.

SECURE		
A++	A+	Superior
A	A-	Excellent
B++	B+	Good

VULNERABLE		
B	B-	Fair
C++	C+	Marginal
C	C-	Weak
D		Poor
E		Under regulatory supervision
F		In Liquidation
S	-	Suspended

CORPORATE GOVERNANCE STATEMENT

The Group adheres to the mandatory requirements of the Reserve Bank of New Zealand (RBNZ) Governance Guidelines (the Guidelines) for licensed insurers issued under the Insurance (Prudential Supervision) Act 2010 and endeavours to embrace non-mandatory governance guidelines or recommendations of the RBNZ and other relevant bodies.

Board of directors

The Parent is governed by a Board of Directors, who have effective oversight of the Parent's activities through the implementation of the Guidelines.

In accordance with the Guidelines, all current directors have been assessed by the Board in accordance with the Parent's Fit and Proper Policy to have the appropriate fitness and propriety to properly discharge their responsibilities as a director and have been certified as meeting the RBNZ's Fit and Proper Standard for directors of Licensed Insurers. The Board is considered to operate independently.

Board members as at 14 September 2018 are:

Martin Philipsen
Chairman

Experience and expertise

Martin Philipsen is the Non-Executive Chairman of Momentum Life. He is an experienced director and senior executive with over 30 years' experience in financial services, governance and leadership across New Zealand, Australia and the United Kingdom.

In his executive career, where Martin has been a Chief Risk Officer and a Chief Financial Officer, he has developed a deep understanding of risk management, strategic planning and financial & regulatory reporting.

Martin is a Chartered Accountant and a member of the NZ Institute of Directors.

Russell Hugh Howden
Managing Director

Experience and expertise

Russell Howden is the Chief Executive Officer & Managing Director of Momentum Life. He has over 30 years' experience in the life and general insurance industry. He began his insurance career in South Africa, holding senior executive positions with Capital Alliance Life, AA Life and AIG.

In July 2000 Russell founded the Australian life insurance company PrefSure Life, and ran it until March 2004. He then founded BlueInc Group, which today provides innovative direct life insurance solutions to over 100,000 clients in Australia and New Zealand.

Russell holds a Bachelor of Accounting Science from the University of South Africa, as well as a Diploma of Financial Services (Financial Planning) from the International Institute of Technology.

Lloyd Gordon Cartwright
Director

Experience and expertise

Lloyd Cartwright is a Non-Executive Director of Momentum Life. He is a senior financial services leader with over 30 years' experience in Australia and New Zealand building businesses, driving superior client outcomes and developing high performing teams.

Lloyd previously held senior executive positions with Bank of New Zealand, NAB and Westpac. In 2014 he joined China Construction Bank (NZ) as Deputy CEO. Here he won the 2017 INFINZ award for "EY Debt Deal of the Year".

He is a certified member of INFINZ and a member of the NZ Institute of Directors. Lloyd previously served as chairman of the NZ Financial Markets Association Board and as a board member for the NZ Chamber of Commerce, Singapore.

Thomas Noel Grogan
Director

Experience and expertise

Thomas Grogan is a Non-Executive Director of Momentum Life. He has over 45 years of insurance industry experience across Australia & New Zealand. He recently retired from Hannover Re, where he began his career in 1972.

With a wealth of industry experience that spans Reinsurance, Group, Retail & Direct insurance, Thomas retired from Hannover Re as the General Manager of Business Development. Thomas oversaw the growth and profitability development of Hannover Re's life business portfolio in Australia and New Zealand, including the acquisition of the company's largest direct distribution client. He was also directly responsible for managing the underwriting, claims and actuarial pricing teams.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board role and charter

The Board operates in accordance with applicable law, the Parent's Constitution and its Board Charter. The Board Charter describes the Board's role, powers, responsibilities and relationship with management.

The Board meets formally on a regular scheduled basis and holds additional meetings as required. The Board reviews its own performance annually, incorporating the performance of its established Committees.

Committees

The Board has established an Audit, Risk and Compliance Committee which has its own charter approved by the Board and which reports directly to the Board. The Audit, Risk and Compliance Committee's purpose is to review, monitor and assess the effectiveness of the Group's financial reporting, internal audit and risk management programme thereby assisting the Board to discharge its responsibilities in relation to financial, risk and compliance matters, including internal and external audit functions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Notes	2018 $	2017 $ (Restated)
Revenue			
Premium revenue		479,034	-
Premium ceded to reinsurers		(142,604)	-
Net premium revenue		336,430	-
Commission income		15,373,053	10,818,575
Investment income	5	34,713	7,547
Revaluation of trail commission asset		1,968,446	12,497,570
Total revenue		17,712,642	23,323,692
Expenses			
Change in life insurance contract liabilities	18	44,040	-
Commission expense	6	(5,029,981)	-
Operating expenses:	6		-
Marketing and distribution expenses		(6,111,566)	(3,419,292)
Employment expenses		(2,895,090)	(2,697,674)
Occupancy expense		(86,375)	(95,741)
Other costs		(963,011)	(1,735,574)
Finance costs	6	(83,668)	(126,459)
Total expenses		(15,125,651)	(8,074,740)
Profit before income tax		2,586,991	15,248,952
Income tax expense	8	(750,005)	(4,315,641)
Profit for the year		1,836,986	10,933,311
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year is attributable to:			
Owner of Momentum Life Limited		1,836,986	10,933,311

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

CONSOLIDATED BALANCE SHEET

as at 30 June 2018

	Notes	2018 $	2017 $ (Restated)
Assets			
Cash and cash equivalents	9	2,710,438	2,350,511
Trade and other receivables	10	1,207,523	1,841,480
Prepayments		-	8,551
Financial assets held to maturity	11	5,025,419	-
Property, plant and equipment	12	-	158,473
Trail commission asset	23	14,466,016	12,497,570
Life insurance contract assets	18	4,204,789	-
Total assets		27,614,185	16,856,585
Liabilities			
Trade and other payables	13	2,003,085	806,712
Borrowings	14	3,686,897	-
Current tax liabilities		736,832	801,633
Provisions	15	-	480,119
Employee benefit obligations	16	11,140	173,431
Deferred tax liabilities	17	4,083,127	3,499,320
Life insurance contract liabilities - reinsurance	18	4,160,748	-
Total liabilities		14,681,829	5,761,215
Net assets		12,932,356	11,095,370
Equity			
Contributed equity	20	112,582	112,582
Retained earnings		12,819,774	10,982,788
Total equity		12,932,356	11,095,370

For and on behalf of the Board.

Martin Philipsen
Chairman

Russell Hugh Howden
Managing Director

14 September 2018

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Notes	Contributed equity $	Retained earnings $ (Restated)	Total equity $ (Restated)
Balance at 1 July 2016		1,060	49,477	50,537
Profit for the year		-	10,933,311	10,933,311
Total comprehensive income for the year		-	10,933,311	10,933,311
Transactions with owner in its capacity as owner:				
Contributions of equity, net of transaction costs and tax	20	111,522	-	111,522
Balance at 30 June 2017		112,582	10,982,788	11,095,370
Balance at 1 July 2017		112,582	10,982,788	11,095,370
Profit for the year		-	1,836,986	1,836,986
Total comprehensive income for the year		-	1,836,986	1,836,986
Balance at 30 June 2018		112,582	12,819,774	12,932,356

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Notes	2018 $	2017 $ (Restated)
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		16,228,191	9,390,544
Payments to suppliers and employees (inclusive of goods and services tax)		(14,537,176)	(6,917,986)
		1,691,015	2,472,558
Interest received		34,713	14,477
Interest paid		(35,612)	(1,488)
Income taxes paid		(230,999)	(34,851)
Net cash inflow from operating activities		1,459,117	2,450,696
Cash flows from investing activities			
Payments for property, plant and equipment	12	(57,421)	(81,022)
Payments for financial assets held to maturity		(5,025,419)	-
Proceeds from sale of property, plant and equipment	12	186,748	-
Net cash (outflow) from investing activities		(4,896,092)	(81,022)
Cash flows from financing activities			
Proceeds from issues of shares	20	-	111,522
Loans to holding company		-	(287,987)
Loan to key management personnel		-	(115,249)
Loans from fellow subsidiaries		3,681,653	-
Repayment of loan from key management personnel		115,249	-
Net cash inflow/(outflow) from financing activities		3,796,902	(291,714)
Net increase in cash and cash equivalents		359,927	2,077,960
Cash and cash equivalents at the beginning of the financial year		2,350,511	272,551
Cash and cash equivalents at the end of the financial year	9	2,710,438	2,350,511

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 30 June 2018

	2018 $	2017 $ (Restated)
Reconciliation of net profit after tax to cash flows from operating activities		
Profit for the year	1,836,986	10,933,311
Depreciation	29,146	23,968
Changes in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	518,708	(1,421,103)
Decrease in prepayments	8,551	9,398
(Increase) in trail commission asset	(1,968,446)	(12,497,570)
Increase in trade and other payables	1,201,617	475,471
(Increase) in life insurance contract assets	(4,204,789)	-
Increase in life insurance contract liabilities	4,160,748	-
(Decrease) increase in provision for income taxes payable	(64,801)	781,470
Increase in deferred tax liabilities	583,807	3,499,320
Decrease (increase) in other provisions	(642,410)	646,431
Net cash inflow from operating activities	1,459,117	2,450,696

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Momentum Life Limited and its subsidiaries.

(a) Basis of preparation

(i) Statement of compliance

The consolidated financial statements of Momentum Life Limited have been prepared in accordance with Generally Accepted Accounting Practice. These comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for for-profit entities. These consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

The Parent is registered under the Companies Act 1993 and licensed under the Insurance (Prudential Supervision) Act 2010 (IPSA). The consolidated financial statements of the group have been prepared in accordance with the requirements of the Financial Market Conduct Act 2013 (the Act).

(ii) Basis of measurement

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts except that the following assets and liabilities are stated at their fair value:

- financial instruments designated at fair value through profit or loss
- life insurance contract assets and liabilities measured using Margin on Services (MoS) principles.

(iii) Use of estimates and assumptions

Preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. Actual results may differ from these estimates.

Discussion of the critical accounting estimates, which include complex or subjective decisions or assessments, is included in note 2. Such estimates will require review in future periods.

(iv) Changes in accounting policies and application of new accounting standards

There have been no changes in accounting policies or early adoption of accounting standards in the preparation and presentation of the financial statements.

(v) Presentation currency and rounding

The amounts contained in the financial statements have been presented in the nearest dollar of New Zealand dollars unless otherwise stated. The functional currency of the group is New Zealand dollars.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and consolidated balance sheet respectively.

(c) Revenue recognition

The group 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 group's activities as described on the next page. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Premium income

Life insurance premiums earned by providing services and bearing risks are treated as revenue.

Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. Summary of significant accounting policies (continued)

during the days of grace or where secured by the surrender value of the policy and are included in trade and other receivables in the consolidated balance sheet.

(ii) Reinsurance contracts

Reinsurance premiums, commissions and claims settlements, as well as the reinsurance element of insurance contract liabilities, are accounted for on the same basis as the original contracts for which the reinsurance was purchased.

(iii) Revaluation of trail commission asset

The revaluation of the trail commission represents the movement in the trail commission asset during the period, adjusted for actual trail commission received during the period.

(iv) Commission income

The group receives commission income from an insurance company for the provision of product design, marketing and distribution services for life insurance products. These payments are received over the life of the insurance policies. This revenue is earned at the initial sale of the underlying insurance policy.

Commission income is recognised on the completion of a significant event, which is usually the issuance of an insurance policy. Commission income clawback is recognised on an accruals basis.

(v) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(d) Expense recognition

Expenses are recognised in the statement of comprehensive income on an accruals basis.

(i) Claims and surrenders

Claims are recognised when the liability to the policyholder under the policy contract has been established or upon notification of the insured event depending on the type of claim.

Claims incurred that relate to the provision of services and bearing of insurance risks are treated as expenses and these are recognised on an accruals basis once the liability to the policyholder has been established under the terms of the contract.

Surrenders are recognised when requested by the policyholder.

(ii) Commission and operating expenses

Commission and operating expenses incorporate all other expenditure involved in running the group.

All life insurance contracts are categorised based on individual policy or products. Expenses for these products are allocated between acquisition, maintenance and other expenses.

Basis of expense apportionment

Expenses which are directly attributable to an individual policy or product are allocated directly to a particular expense category, class of business and product line as appropriate. Where expenses are not directly attributable to an individual policy or product they are appropriately apportioned based on a detailed expense analysis having regard to the objective in incurring that expense and the outcome achieved.

Acquisition expenses

Acquisition expenses are the fixed and variable expenses of acquiring new business including commissions and similar distribution expenses, and expenses related to accepting, issuing and initially recording policies. They do not include general growth and development costs incurred.

Under MoS, where overall product profitability of new business written during the period is expected to support the recovery of acquisition expenses incurred in that period, these expenses are effectively deferred as an element of policyholder liabilities and amortised over the life of the policies written. Unamortised acquisition expenses are a component of the MoS policyholder liability. Acquisition expenses are recognised in the statement of comprehensive income at the same time as profit margins are released.

Acquisition expenses are allowed for when determining expected profit margins by setting standard expense allowances based on each policy type issued. Actual acquisition expenses in any one period may vary from standard for a number of reasons including new business volume, product mix, distribution mix, cost efficiency and new strategic initiatives.

As a result of these variances, acquisition expenses may, in total, be lesser or greater than standard expense allowances. In both cases the acquisition expense component of the policyholder liability is determined as the actual expenses incurred in the period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

1. Summary of significant accounting policies (continued)

so that neither a profit nor a loss arises on acquisition, subject to only the overriding constraint that the present value of future profit margins on new business written in the period is not negative.

Maintenance expenses

Maintenance expenses are the fixed and variable expenses of administering policies subsequent to sale and the fixed and variable operating and management expenses of servicing in-force policies. These include general growth and development expenses. Maintenance expenses include all operating expenses other than acquisition expenses and Value of Business Acquired (VOBA) and are recognised in the consolidated statement of comprehensive income in the period they relate to.

(e) Income tax

(i) Income tax expense

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). Tax expense is recognised in profit or loss.

(ii) Current tax

Current tax is the tax payable on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. Current tax is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(iii) Deferred tax

Deferred tax is accounted for using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, a deferred tax asset, or liability, is recognised on the consolidated balance sheet. Deferred taxes are measured at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

(iv) Offsetting

Current and deferred tax assets and liabilities are offset only to the extent that: they relate to income taxes imposed by the same taxation authority; there is a legal right and intention to settle on a net basis; and it is allowed under the tax law of the relevant jurisdiction.

(f) Assets

Financial assets

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables, and
- held-to-maturity investments.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The group's loans and receivables comprise cash at bank and trade and other receivables in the consolidated balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

1. Summary of significant accounting policies (continued)

date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss.

(g) Life insurance contract assets
An insurance contract is a contract under which an insurer accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

An outstanding claims reserve is held within life insurance contract assets to provide for the estimated costs of all claims notified, but not settled at balance date, together with the estimated cost of claims incurred but not reported until after balance date.

Determination of life insurance contract assets
Life insurance contract assets are calculated using the MoS methodology in accordance with *Professional Standard 20: Determination of Life Insurance Policy Liabilities* (PS20) of the New Zealand Society of Actuaries (NZSA), amounts have been calculated gross of tax with a separate liability held for the effects of associated deferred tax in accordance with NZ IAS 12 *Income Taxes*.

Under the projection method, the liability is determined as the net present value of the expected future cash flows plus planned margins of revenues over expenses relating to services yet to be provided, discounted using a risk-free discount rate that reflects the nature and structure of the liabilities. Expected future cash flows include premiums, investment income, expenses, redemptions and benefit payments, including bonuses.

An accumulation method may be used where the policyholder liabilities determined are not materially different from those determined under the projection method.

MoS is designed to recognise profits on life insurance contracts as services are provided to policyholders or when income is received. Profits are deferred and amortised over the life of policies, whereas losses are recognised immediately as they arise. Services used to determine profit recognition include premiums expected to be received from policyholders, the cost of expected claims and maintaining policies. Costs may only be deferred, however, to the extent that a contract is expected to be profitable.

Profits emerging under the MoS methodology can be categorised as follows:

Planned margins of revenues over expenses
At the time of writing a policy and at each balance date, best estimate assumptions are used to determine all expected future payments and premiums. Where actual experience replicates best estimate assumptions, the expected profit margins will be released to profit over the life of the policy.

The difference between actual and assumed experience
Experience profits or losses are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits or losses include variations in claims, expenses, mortality, discontinuance and investment returns. For example, an experience profit will emerge when the expenses of maintaining all in-force business in a period are lower than the best estimate assumption in respect of those expenses.

Changes to underlying assumptions
Assumptions used for measuring life insurance contract assets are reviewed each period. Where the review leads to a change in assumptions the change is deemed to have occurred from the end of the financial period and the impact of the assumption change is absorbed within the future value of profit margins, provided sufficient profit margins exist.

The calculation of life insurance contract assets includes the use of a risk-free yield. The changes in this yield is not absorbed within the future value of profit margins, but, instead, recognised during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

1. Summary of significant accounting policies (continued)

The financial effect of changes to the assumptions underlying the measurement of life insurance contract assets made during the reporting period are recognised in the consolidated statement of comprehensive income over the future reporting periods during which services are provided to policyholders. However if, based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the whole expected loss for that related product group is recognised in the consolidated statement of comprehensive income immediately. When loss making business becomes profitable, it is necessary to reverse previously recognised losses.

(h) Liabilities

Financial liabilities
Financial liabilities are measured initially at fair value and subsequently at amortised cost using the effective interest method.

(i) Equity

(i) Shares
Issued shares are recognised at the amount paid per share net of directly attributable issue costs.

(ii) Dividends
Where a dividend is declared post reporting date, but prior to the date of issue of the financial statements, disclosure of the declaration is made in the notes to the financial statements but no liability is recognised in the consolidated balance sheet.

(j) Presentation

(i) Offsetting of income and expenses
Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in either of the following circumstances:

- where transaction costs form an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument
- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses.

(ii) Offsetting of financial assets and liabilities
Assets and liabilities are offset and the net amount reported in the balance sheet only where there is:

- a current enforceable legal right to offset the asset and liability
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Goods and services tax
Income, expenses and assets are recognised excluding the amount of goods and services tax (GST) recoverable from the Inland Revenue Department (IRD). Receivables and payables are stated with the amount of GST included. The net amount of GST payable to the IRD is included in payables and other liabilities in the consolidated balance sheet.

Cash flows are included in the cash flow statement excluding non-recoverable GST, with the net amount of GST paid to the IRD included in operating expenses paid.

(k) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, 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 known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(m) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. Summary of significant accounting policies (continued)

as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(n) Trail commission asset

Trail commission is paid to the group by life insurance companies for the provision of product design, marketing and distribution services for life insurance products. The trail commission asset is the net present value of future commission receipts, which are received over the life of the insurance policies.

(o) Property, plant and equipment

All 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 group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on fixed assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Furniture, fittings and equipment: 2 to 16 years
- Leasehold improvements: 14 to 20 years
- Other property, plant and equipment: 4 to 5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(k)).

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

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Provisions

Provisions are recognised when the group 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. Summary of significant accounting policies (continued)

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 is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's 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 liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 wage and 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 of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

(t) Accounting standards not early adopted

(i) NZ IFRS 9 Financial Instruments (NZ IFRS 9)

NZ IFRS 9 was issued in September 2014. When operative, this standard will replace NZ IAS 39 *Financial Instruments: Recognition and Measurement* (NZ IAS 139) and includes requirements for impairment, classification and measurement and general hedge accounting.

NZ IFRS 9 has a date of initial application for the group of 1 July 2018 and, based on the financial instruments on the group's consolidated balance sheet as at 30 June 2018, there will not be any change to the recognition and measurement of the group's financial instruments.

(ii) NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15)

This standard addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 Revenue and IAS 11 Construction contracts and is applicable to all entities with revenue. NZ IFRS 15 is mandatory for the Group's consolidated financial statements for the year beginning 1 July 2018.

Management has assessed the effects of applying the new standard on the group's financial statements and is not expecting any material impact.

(iii) NZ IFRS 16 Leases (NZ IFRS 16)

The final version of NZ IFRS 16 was issued in February 2016 and is not effective for the group until 1 July 2019. NZ IFRS 16 requires a lessee to recognise its right to use the underlying leased asset, as a right-of-use asset and obligation to make lease payments as a lease liability.

There is not expected to be any impact on the group's financial statements because, as at 30 June 2018, the group does not have any contracts that would be classified as long term leases under NZ IFRS 16.

(iv) NZ IFRS 17 Insurance Contracts (NZ IFRS 17)

The final version of NZ IFRS 17 was issued in August 2017 and is not effective for the group until 1 July 2021. NZ IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under NZ IFRS 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change. The group is not yet able to reasonably estimate the impact of NZ IFRS 17 on its financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

2. Critical accounting estimates and judgements

These financial statements are prepared in accordance with NZ IFRS. However, there are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements.

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 entity and that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by the group in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below.

(a) Critical accounting estimates and assumptions

Trail commission asset

The group recognises trail commission revenue at the point of entitlement, which is the sale of the underlying insurance policy. At the same time it recognises a trail commission asset which is estimated based on assumptions relating to the underlying book of business. This calculation represents the value of future expected trail commission receipts and uses the projected life of the policy, and adjusts for assumptions including persistency, and rate increases and discounted to a present value.

(b) Correction of error

During the financial year, part of the routine reasonableness testing performed by the management of the holding company, it was discovered that the valuation of the trail commission asset did not account for a fixed dollar discount applied to certain policies. As a result, the trail commission asset had been overstated as at 30 June 2017.

The error has been corrected by restating each of the affected financial statement line items for the prior period is set out below. The error does not affect financial year 2016 and before, given that the prior period was the first financial year in which the trail commission asset was being recognised.

	30 June 2017 $	Debit/ (Credit) $	30 June 2017 (Restated) $
Consolidated balance sheet (extract)			
Trail commission asset	13,657,643	(1,160,073)	12,497,570
Total assets	18,016,658	(1,160,073)	16,856,585
Deferred tax liabilities	(3,824,140)	324,820	(3,499,320)
Total liabilities	(6,086,035)	324,820	(5,761,215)
Net assets	11,930,623	(835,253)	11,095,370
Retained earnings	(11,818,041)	835,253	(10,982,788)
Total equity	(11,930,623)	835,253	(11,095,370)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

2. Critical accounting estimates and judgements (continued)

	2017 $	Debit/ (Credit) $	2017 (Restated) $
Consolidated income statement (extract)			
Revaluation of trail commission asset	13,657,643	(1,160,073)	12,497,570
Total revenue	24,483,765	(1,160,073)	23,323,692
Profit before tax	16,409,025	(1,160,073)	15,248,952
Income tax expense	(4,640,461)	324,820	(4,315,641)
Profit for period	11,768,564	(835,253)	10,933,311
Total comprehensive income for the period	11,768,564	(835,253)	10,933,311
Total comprehensive income is attributable to:			
Owner of Momentum Life Limited	11,768,564	(835,253)	10,933,311

3. Summary of significant actuarial methods and assumptions

The actuarial reports on life insurance contract assets/liabilities and solvency reserves for the current reporting period were prepared as at 30 June 2018. The actuary who prepared the reports for the group was James Collier BEc, MEc, DipSM, FIAA and FNZSA, who is a Fellow of the Institute of Actuaries of Australia and a Fellow of the New Zealand Society of Actuaries.

The amount of life insurance contract assets/liabilities has been determined in accordance with Professional Standard 20 of the NZSA, amounts have been calculated gross of tax with a separate liability held for the effects of associated deferred tax in accordance with NZ IAS 12 Income Taxes. After making appropriate checks, the actuary was satisfied as to the accuracy of the data from which the amount of the life insurance contract assets/liabilities had been determined.

The key assumptions used in determining the life insurance contract assets/liabilities are detailed below.

Profit carriers

Risk business has been valued using the projection method. The profit carrier for the risk business to achieve systematic release of planned margins is premiums.

Discount rates

The discount rates used to determine policyholder liabilities were determined from the 10 year government bond rate. The risk- free rate (gross of tax) was 2.85%.

Inflation

The long-term inflation assumption was determined on a basis consistent with the medium to long term RBNZ inflation target of between 1% to 3%. The rate assumed is 2% pa.

Future expenses and indexation

Future maintenance and investment expense assumptions were derived from an analysis of planned expenses for the coming year. The rates vary by benefit type and are expressed as a unit cost per policy. Expense assumptions are assumed to increase each year by the inflation rate set out above.

Asset mix

The assumptions regarding asset mix are based on the actual mix of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

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

Asymmetric risks

An asymmetric risk is characterised by a movement in an assumption that results in a significantly larger adjustment in one direction than it does in the other. Given the nature of the business no additional reserve is required for asymmetric risks.

Rates of taxation

The rates of taxation enacted or substantially enacted at the date of the valuation are assumed to continue into the future.
The corporate tax rate used is 28%. Life insurance contract assets/liabilities are calculated gross of tax with a separate liability being held for tax.

Mortality and morbidity

Projected future mortality and morbidity (Total Permanent Disability and Trauma) experience incidence rates are based on reinsurers' tables.

Rates of discontinuance

Long-term discontinuance rates are based on recent company analysis and industry experience and vary by product, duration in force and age of insured, taking into account market conditions and internal strategies. The assumed rates of discontinuance are between 7% and 40%.

Surrender values

The group does not issue policies with a surrender value.

Participating business

The group does not issue participating business.

Solvency requirement

Solvency reserves are amounts required to meet the regulatory actuarial standards to provide protection to policyholders against the impact of fluctuations in and unexpected adverse experience in the group's business. The regulatory standards are imposed by the RBNZ under the Insurance (Prudential Supervision) Act 2010 (IPSA).

Impact of changes in assumptions

Changes in actuarial assumptions are recognised by adjusting the value of future profit margins in insurance contract liabilities. Future profit margins are released over future periods. Changes in actuarial assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both insurance contract liabilities and asset values at the balance date. As this is the first set of accounts where an insurance contract liability exists, no changes in assumptions were required.

4. Source of profit

	2018 $	2017 $
Life insurance contracts		
Planned margins of revenues	20,517	-
Difference between actual and assumed expense experience	(280,615)	-
	(260,098)	-
Investment earnings on assets in excess of policyholder liabilities	444	-
Other revenue (expenses)		
Other movements related to activity not insurance contract related	1,940,484	-
Profit after income tax	1,680,830	-

This note relates to Parent entity only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

5. Investment income

	2018 $	2017 $
Interest income	34,713	14,477
Foreign exchange loss	-	(6,930)
Total investment income	34,713	7,547

6. Expenses

(a) Commission and operating expenses

	2018 $	2017 $
Acquisition costs		
Commission expenses	120,191	-
Operating expenses	119,470	-
Total acquisition costs	239,661	-
Maintenance costs		
Commission expenses	91,813	-
Operating expenses	322,466	-
Total maintenance costs	414,279	-
Total commission and operating expenses	653,940	-

All acquisition and maintenance costs are associated with life insurance contracts and relate to the Parent entity only.

(b) Finance costs

	2018 $	2017 $
Finance costs		
Interest and finance charges paid/payable	43,353	3,038
Realised foreign exchange losses on international payments	40,315	123,421
Total finance costs	83,668	126,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

7. Remuneration of auditors

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

	2018 $	2017 $
Audit and other assurance services		
Audit and review of financial statements	109,174	29,271
Solvency returns assurance	10,000	-
Total remuneration for audit and other assurance services	119,174	29,271
Other services		
Preparation of financial statements (PricewaterhouseCoopers Australia)	21,856	7,318
Total remuneration for other services	21,856	7,318
Total remuneration of PricewaterhouseCoopers	141,030	36,589

It is the group's policy that, subject to the approval of the Ultimate Parent Company Board, PricewaterhouseCoopers can provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. PricewaterhouseCoopers may not provide services that are perceived to be in conflict with the role of auditor. Services that are perceived to be in conflict with the role of auditor include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may not ultimately be required to express an opinion on its own work.

8. Income tax expense

(a) Income tax expense

	2018 $	2017 $ (Restated)
Current tax	139,735	816,321
Deferred tax	583,807	3,499,320
Adjustments for current tax of prior periods	26,463	-
Total income tax expense	750,005	4,315,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

8. Income tax expense (continued)

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

	2018 $	2017 $
Profit from continuing operations before income tax expense	2,586,991	15,248,952
Tax at the New Zealand tax rate of 28.0% (2017: 28.0%)	724,357	4,269,707
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	(815)	45,934
Adjustments for current tax of prior periods	26,463	-
Income tax expense	750,005	4,315,641

The life insurer pays tax at the company rate of 28%. As the life insurer is taxed as a proxy for the policyholders, returns to policyholders are tax-exempt.

9. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and in hand	2,710,438	2,350,511

10. Trade and other receivables

	2018 Current $	2018 Non-current $	2018 Total $	2017 Current $	2017 Non-current $	2017 Total $
Trade receivables	1,203,623	-	1,203,623	1,726,231	-	1,726,231
Loans to key management personnel	-	-	-	115,249	-	115,249
Premium receivables	3,900	-	3,900	-	-	-
Total trade and other receivables	1,207,523	-	1,207,523	1,841,480	-	1,841,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

11. Financial assets held to maturity

	2018 $	2017 $
Term deposits	5,025,419	-

12. Property, plant and equipment

	Furniture, fittings & equipment $	Leasehold improvements $	Other property, plant & equipment $	Total $
At 1 July 2017				-
Cost	76,061	49,146	61,448	186,655
Accumulated depreciation	(18,717)	(3,634)	(5,831)	(28,182)
Net book amount	57,344	45,512	55,617	158,473
Year ended 30 June 2018				
Opening net book amount	57,344	45,512	55,617	158,473
Additions	3,053	-	54,368	57,421
Disposals	(49,766)	(43,223)	(93,759)	(186,748)
Depreciation charge	(10,631)	(2,289)	(16,226)	(29,146)
Closing net book amount	-	-	-	-
At 30 June 2018				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book amount	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

13. Trade and other payables

	2018 Current $	2018 Non-current $	2018 Total $	2017 Current $	2017 Non-current $	2017 Total $
Trade payables	240,412	-	240,412	581,403	-	581,403
Amounts due to holding company	-	-	-	5,244	-	5,244
Related entities trade payables	1,512,914	-	1,512,914	-	-	-
Accrued expenses	233,333	-	233,333	133,211	-	133,211
Payroll tax and other statutory liabilities	11,160	-	11,160	86,854	-	86,854
Other payables	5,266	-	5,266	-	-	-
Total trade and other payables	2,003,085	-	2,003,085	806,712	-	806,712

14. Borrowings

	2018 Current $	2018 Non-current $	2018 Total $	2017 Current $	2017 Non-current $	2017 Total $
Unsecured						
Loans from related parties	3,686,897	-	3,686,897	-	-	-
Total unsecured borrowings	3,686,897	-	3,686,897	-	-	-

15. Provisions

	2018 Current $	2018 Non-current $	2018 Total $	2017 Current $	2017 Non-current $	2017 Total $
Clawback provision	-	-	-	480,119	-	480,119

(a) Information about individual provisions and significant estimates

Clawback provision

The clawback provision represents the expected amount to be clawed back on policies still in the responsibility period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

15. Provisions (continued)

(b) Movements in provisions

Movements in provisions during the financial year, other than employee benefits, are set out below:

	Clawback provision $
2018	
Carrying amount at the start of the year	480,119
Amounts used during the year	(480,119)
Carrying amount at end of year	-

16. Employee benefit obligations

	2018 $	2017 $
Leave obligations	11,140	173,431

The leave obligations cover the group's liability for annual leave and sick leave.

17. Deferred tax liabilities

	2018 $	2017 $ (Restated)
The balance comprises temporary differences attributable to:		
Trail commission asset	4,050,485	3,499,320
Life insurance contracts, net of reinsurance	32,642	-
Net deferred tax liabilities	4,083,127	3,499,320
Movements:		
Opening balance	3,499,320	-
Charged/credited:		
- profit or loss	583,807	3,499,320
Closing balance	4,083,127	3,499,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

18. Life insurance contracts assets/liabilities

Net life insurance contract assets contain the following components:

	2018 $	2017 $
Future premiums	15,901,623	-
Future policy benefits	(1,875,425)	-
Future expenses	(12,598,591)	-
Planned margins of revenues over expenses	(1,383,567)	-
Total life insurance contract assets, net of reinsurance	44,040	-
Estimated discounted net cash inflows from life insurance contract assets:		
- Less than one year	199,184	-
- One year to five years	329,716	-
- Later than five years	(484,860)	-
Total net life insurance contract assets future net cash inflows	44,040	-

The table above shows the estimated timing of discounted future net cash flows resulting from life insurance contract assets. This includes estimated future surrenders, claims and expenses offset by expected premiums and reinsurance recoveries. All values are discounted to the reporting date using the risk free rate.

	2018 $	2017 $
Reconciliation of movements in life insurance contracts assets and liabilities		
Life insurance contract assets		
Opening balance	-	-
Recognised in statement of comprehensive income	4,204,789	-
Closing balance	4,204,789	-
Current	1,903,029	-
Non-current	2,301,760	-
	4,204,789	-
Life insurance contract liabilities - reinsurance		
Opening balance	-	-
Recognised in statement of comprehensive income	4,160,748	-
Closing balance	4,160,748	-
Current	1,703,843	-
Non-current	2,456,905	-
	4,160,748	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

19. Insurance risk

Insurance risk is the risk that actual experience in respect of life insurance benefit payments to policyholders differs from expectations when the policy premium was determined. It also includes risks relating to expected reinsurance recoveries, risks arising through the underwriting process as well as the risks of higher than expected lapses or an unfavourable portfolio mix with respect to product or customer profiles.

The group manages these risks in accordance with the internal principles and requirements of its Risk Management Programme and this is reviewed on a regular basis.

Variations in claim levels will affect reported profit and shareholder's equity. The impact may be magnified if the variation leads to a change in actuarial assumptions which cannot be absorbed within the present value of planned margins for a group of related products.

Insurance risk management strategy

The group's Risk Management Programme objectives are:

(i) To protect policyholders' interests by ensuring the ability to meet future obligations;

(ii) To maintain an adequate financial strength;

(iii) To facilitate prudent liquidity and capital management;

(iv) To maintain a robust governance and control framework; and

(v) To enhance value through effective understanding, quantification and mitigation of risk.

In compliance with contractual and regulatory requirements, a strategy is in place to meet the contractual terms of the policy whilst not adversely affecting the group's ability to pay benefits and claims when due. The strategy involves the identification of risks by type, impact and likelihood, the implementation of processes and controls to mitigate the risks, and continuous monitoring and improvement of the procedures in place to minimise the chance of an adverse compliance or operational risk event occurring.

Included in this strategy is the process for underwriting and product pricing to ensure products are appropriately priced. Capital management is also a key aspect of the group's risk management strategy.

Methods to limit or transfer insurance risk exposures

In an effort to protect and enhance shareholder value, the group actively manages its exposure to risks so that it can react in a timely manner to changes in financial markets and economic and political environments. Risk exposures are managed using various analysis and valuation techniques, such as asset-liability matching analysis to calculate the economic capital required to support adverse risk scenarios, along with other cash flow analysis, and prudent and diversified underwriting and investing.

The group reports regularly financial and operational results, and exposure for each portfolio of contracts (gross and net of reinsurance) to the Audit Risk and Compliance Committee. This information is combined with the detail of the group's reinsurance programme to provide a central view of the group's performance and its gross and net exposure.

- Reinsurance - The group's reinsurance activities are governed by the Reinsurance Management Strategy which deals with reinsurer selection, minimum credit ratings and frequency the reinsurance arrangement reviews.
- Underwriting procedures - Strategic underwriting decisions are put into effect using the underwriting procedures detailed in the group's underwriting manual. Such procedures include limits to delegated authorities and signing powers.
- Claims management - Strict claims management procedures are in place to assist in the timely and correct payment of claims in accordance with policy conditions.

Concentrations of insurance risk

Concentrations of insurance risk arise due to:

- Large sums assured on certain individuals. The largest exposures all relate to mortality. However, this is minimised through the use of reinsurance.

The table on the following page illustrates concentrations of insurance risk according to benefit types and the extent to which this risk is mitigated by reinsurance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

19. Insurance risk (continued)

	Sum Insured 2018 $	Sum Reinsured 2018 $	Sum Insured 2017 $	Sum Reinsured 2017 $
Aggregate Sums Assured				
Life*	365,228,500	276,364,153	-	-
Trauma/Total permanent disablement*	86,746,000	65,059,500	-	-
Total	451,974,500	341,423,653	-	-

* Aggregate sum insured is the aggregate of all lump sums payable under this benefit category.

Terms and conditions of insurance contracts

The nature of the terms of insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend. The tables below provide an overview of the key variables upon which the amount of related cash flows are dependent:

Type of contract	Detail of contract terms and conditions	Nature of compensation for claims	Key variables that affect the timing and uncertainty of future cash flows
Non-participating insurance contracts with fixed and guaranteed terms. Benefit types include life, trauma and injury.	Benefits paid on death, injury or ill health or that are fixed and guaranteed and not at the discretion of the issuer. Premiums are variable at the insurer's discretion.	Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole.	- Mortality - Morbidity - Discontinuance rates - Expenses - Market interest rates

Sensitivity to insurance risk

A 10% increase or decrease in mortality and morbidity, lapse rates or expense assumptions would not have a material effect on profit after tax or equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. Contributed equity

(a) Share capital

	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares				
Class C shares - Fully paid $1 per share	100	100	100	100
Class D shares - Fully paid $1 per share	960	960	960	960
Class D shares - Fully paid $2,788.05 per share	40	40	111,522	111,522
Total share capital	1,100	1,100	112,582	112,582

(b) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

21. Capital management

(a) Capital management policies

The Parent's capital management objectives are to maintain a strong capital base to protect policyholders' and creditors' interests, and to meet regulatory requirements, whilst still creating shareholder value.

During the year ended 30 June 2018, the Parent has complied with all externally imposed capital requirements.

The Parent has a Risk Management Programme that includes the adequacy of capital as a key risk. Continuous reporting on current and forecast capital requirements is undertaken to monitor this risk. The Parent manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In addition, the Parent analyses and optimises its product and asset mix, reinsurance programme, insurance risk exposure and investment strategy, in order to maintain adequate capital.

(b) Solvency requirements and statutory funds

A life insurer is required to have at least one statutory fund in respect of its life insurance business. The purpose of a statutory fund is to ensure that the funds received and paid out in respect of life insurance policies are separately identifiable as being part of the statutory fund. The assets of the statutory fund enjoy certain protections under IPSA, which are designed to ensure that the interests of holders of life insurance policies are given priority over the interests of other parties, such as unsecured creditors.

Under IPSA solvency requirements, the Parent is required to maintain a positive solvency margin for each life fund calculated in accordance with *Solvency Standard for Life Insurance Business 2014* issued by the RBNZ, and the Parent is required to have at least $5 million of actual solvency capital.

The Immediate Parent's access to the retained earnings and ordinary share capital in the statutory fund is restricted by IPSA.

The table on the following pages show the assets, liabilities, equity, profit and solvency of the Parent by fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

21. Capital management (continued)

	Statutory fund	Shareholder fund	Total
	30 June 2018 $	30 June 2018 $	30 June 2018 $
Summarised statement of comprehensive income			
Premium revenue	479,034	-	479,034
Investment revenue	618	34,096	34,714
Change in life insurance contract liabilities	44,040	-	44,040
All other net expense	(806,545)	2,618,864	1,812,319
(Loss)/profit before income tax	(282,853)	2,652,960	2,370,107
(Loss)/profit after income tax	(259,654)	1,940,484	1,680,830
Summarised balance sheet			
Assets			
Cash and cash equivalents	1,198,444	1,511,993	2,710,437
Term deposits	5,000,000	25,419	5,025,419
All other assets	972,242	6,605,480	7,577,722
Life insurance contact assets	4,204,789	-	4,204,789
Total assets	11,375,475	8,142,892	19,518,367
Liabilities			
All other liabilities	1,974,381	607,039	2,581,420
Life insurance contract liabilities - reinsurance	4,160,748	-	4,160,748
Total liabilities	6,135,129	607,039	6,742,168
Equity			
Share capital	-	112,582	112,582
Retained earnings	5,240,346	7,423,271	12,663,617
Total equity	5,240,346	7,535,853	12,776,199
Solvency of the Parent			
Actual solvency capital	5,240,346	930,496	6,170,842
Minimum solvency capital	405,561	8,453	5,000,000
Solvency margin	4,834,785	922,043	1,170,842
Solvency ratio	1,292%	11,008%	123%

No comparative information is presented in the table above as the Parent entity became a registered life insurance company during the financial year ended 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

21. Capital management (continued)

Reconciliation between Parent and Group statement of comprehensive income and balance sheet

	Parent $	Subsidiary $	Intra-Group Eliminations $	Group Consolidated $
Profit after income tax	1,680,830	97,719	58,437	1,836,986
Assets	19,518,367	14,701,406	(6,605,588)	27,614,185
Liabilities	6,742,168	14,603,587	(6,663,926)	14,681,829
Equity	12,776,199	97,819	58,338	12,932,356

22. Financial risk management

(a) Credit risk

Credit risk is the risk of loss due to the inability of a party to a contract or transaction to meet its obligations.

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. See below and note 10 for further disclosure on credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

	Credit rating	2018	2017
Bank of New Zealand Limited	A-1+	26%	0%
Westpac New Zealand Limited	A-1+	74%	100%

The financial strength ratings for the group's major reinsurers are shown in the table below. The rating are from Standard & Poor's.

	2018	2017
Hannover Life Re of Australasia Limited	AA-	AA-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

22. Financial risk management (continued)

(b) Market risk

Market risk is the risk of loss due to unfavourable market movements. Given the investment policy and the discount rate used to determine the policy liabilities, the primary market risk comes from interest rates.

(i) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities or cash flows. The group is exposed to interest rate risk through its investments in interest earning financial instruments and revaluations of its insurance contract liabilities.

The group has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The following table summarises the sensitivity of the group's life insurance contract assets, net of reinsurance, to changes in interest rate movements at year end. The analysis is based on the assumptions that the relevant interest rate increased/decreased by 1% (2017: N/A), with all other variables held constant. This represents a best estimate of a reasonable shift in the interest rates, with regard to historical volatility of those rates. The balances shown provide the impact on both profit after tax and equity. The effect of a similar movement in interest rates on investments backing insurance contract liabilities is not material.

	2018 +1% $	2018 -1% $
Life insurance contract assets, net of reinsurance	(77,538)	102,973

(c) Liquidity risk

Liquidity risk is the risk of being unable to appropriately and fully utilise assets to meet cash flow requirements.

The group manages its exposure to liquidity risk by investing in predominately short dated deposits and securities. Demands for funds can usually be met through ongoing normal operations, receipt of premiums and use of reinsurance. Solvency capital projections are prepared by the Parent's actuary to ensure that the Parent continues to meet its solvency requirements.

The maturity profile for the Parent's insurance contract liabilities is shown in note 18. Payables and other liabilities are payable within three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

23. Fair value measurement

(i) Fair value hierarchy

The following table presents the group's assets that are recognised and measured at fair value at 30 June 2018 and 30 June 2017, using a three level hierarchy based on the lowest level of input that is significant to the entire fair value measurement, being:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2018				
Assets				
Financial assets at fair value through profit or loss				
Trail commission asset	-	-	14,466,016	14,466,016
Total assets	-	-	14,466,016	14,466,016

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2017				
Assets				
Financial assets at fair value through profit or loss				
Trail commission asset	-	-	12,497,570	12,497,570
Total assets	-	-	12,497,570	12,497,570

There were no transfers between levels during the year.

(ii) Valuation techniques used to determine fair values

The valuation technique used to determine the fair value of trail commission asset is net present value of the expected future trail commission income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

23. Fair value measurement (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3)
The following table presents the movements in levels 3 assets for the years ended 30 June 2018 and 30 June 2017:

	Trail Commission asset $
Opening balance 1 July 2016	-
Assets arising from sales in prior period but not yet recognised	620,375
Trail commission asset received	(109,320)
Assets arising from current period sales	11,986,515
Closing balance 30 June 2017 (Restated)	12,497,570
Trail commission asset received	(1,690,212)
Assets arising from current period sales	6,662,844
Change in fair value of future cash flow expectations	(3,004,186)
Closing balance 30 June 2018	**14,466,016**

(iv) Valuation inputs used to determine the fair value
The following table summarises the significant unobservable inputs used in level 3 fair value measurement and sensitivity.
See 23 (ii) for the valuation technique adopted.

Significant unobservable inputs	Key assumptions	Sensitivity
Discount rate	The discount rate used was 8% (2017: 8%).	An increase in the discount rate would result in a decrease in the asset value and a reduction in the discount rate would result in an increase in the asset value.
Lapse rate	The lapse rate reflects the number of policies that are expected to be discontinued during the projection period and varies by age of the policy from 7% to 40% per year.	An increase in the lapse rate would result in a decrease in the asset value and a reduction in the lapse rate would result in an increase in the asset value.
Projection period	The projection period assumed was 20 years (2017: 20 years).	An increase in the projection period would result in an increase in the asset value and a decrease in the projection period would result in a decrease in the asset value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

24. Related party transactions

(a) Parent entity

The ultimate holding company is BlueInc Group Pty Limited, a company incorporated in Australia.

(b) Subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Key management personnel

	2018 $	2017 $
Short-term employee benefits	522,884	246,467
Post-employment benefits	1,062	5,806
	523,946	252,273

(d) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2018 $	30 June 2017 $
Distribution and marketing expenses		
Fellow subsidiaries	10,462,211	3,923,952

(e) Outstanding balances arising from other related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2018 $	2017 $
Current payables		
Holding company	-	5,244
Fellow subsidiaries	1,512,914	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

24. Related party transactions (continued)

(f) Loans to/from related parties

	2018 $	2017 $
Loans to key management personnel		
Beginning of the year	115,249	-
Loans advanced	-	115,249
Loans repayments made	(115,249)	-
End of year	-	115,249
Loans from other related parties		
Beginning of the year	-	-
Loans advanced	3,686,897	-
Loans repayments made	-	-
Interest charged	-	-
Interest paid	-	-
End of year	3,686,897	-

The loans to/from related parties are unsecured, non-interest bearing and repayable on demand.

25. Contingencies

The group had no contingent liabilities at 30 June 2018 (2017: $nil).

26. Commitments

Non-cancellable operating leases

	2018 $	2017 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	76,957
Rental expense relating to operating leases		
Minimum lease payments	86,375	95,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

27. Interest in other entities

(a) Material subsidiaries

The group's principal subsidiaries at 30 June 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

		Ownership interest held by the group		
Name of entity	Place of business/ country of incorporation	2018 %	2017 %	Principal activities
Momentum Life Services Limited	New Zealand	100	-	Insurance services

28. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

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Appointed Actuary's Report

TO THE DIRECTORS OF MOMENTUM LIFE LIMITED

Author

I, James Anthony Collier FNZSA, am the Appointed Actuary for Momentum Life Limited (the Company) under section 76(1) of IPSA, and have prepared this report solely in this capacity.

Other than my relationship as Appointed Actuary and consulting Partner of KPMG, which receives consulting fees from the Company and the Parent Group. I have no other financial interest in the Company. There are no limitations of my responsibility as Appointed Actuary to Momentum as a result of any such arrangements.

Scope

This report is prepared in accordance Section 78 of the Insurance (Prudential Supervision) Act 2010 (IPSA) in respect of the financial statements of Momentum Life Limited (the Company) for the year ended 30 June 2018.

This report outlines the review I have undertaken of the actuarial information (as defined in section 77(4) of IPSA) contained in, and used in the preparation of, the financial statements of the Company (the Financial Statements) as required under section 77(1) of IPSA.

My review has been carried out in accordance with the Solvency Standard for Life Insurance Businesses 2014 issued by the Reserve Bank of New Zealand (the Solvency Standard), which is the solvency standard applicable to the Company under section 55 of IPSA, and with the New Zealand Society of Actuaries' Professional Standards.

Work Performed

The work that I have done to review the actuarial information contained in, or used in the preparation of the Financial Statements, includes a review of:

a) Information relating to the Company's calculations of premiums, claims, reserves, dividends, insurance rates, and technical provisions;

b) Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the Company if those events do occur;

c) The Company's Policy Liability, as defined in the Solvency Standard;

d) Risk management policies including reinsurance exposures and reinsurance assets relevant to the Policy Liability;

e) The deferred tax assets or liabilities relevant to the Policy Liability;

f) The deferred acquisition cost relevant to the Policy Liability;

g) The analysis of the Company's profit;

h) Any additional assumptions used in the calculation of the Policy Liability;

i) The consistency between the New Zealand Society of Actuaries Professional Standard 20 "Determination of Life Insurance Policy Liabilities" and the calculated Policy liability;

j) The consistency between the Solvency Standard and the calculated Solvency Margin; and

k) The Company's checks and controls over data and valuation processes.

Findings

a) I have obtained all information and explanations that I have required in order to conduct my review under section 77 of IPSA. There were no limitations in the scope of my review.

a) in my opinion and from an actuarial perspective:

   i. The actuarial information contained in the Financial Statements has been appropriately included in the Financial Statements.

   ii. The actuarial information used in the preparation of the Financial Statements has been used appropriately.

b) in my opinion and from an actuarial perspective, the Company, as at 30 June 2018, is maintaining a solvency margin that complies with that required under the Solvency Standard for the purposes of sections 21(2)(b) of IPSA.

c) in my opinion and from an actuarial perspective as at 30 June 2018, the Company is maintaining solvency margins that comply with those required under the Solvency Standard for the purposes of section 21(2)(c) of IPSA.

Reliances & Limitations

The following reliances and limitations apply:

a) Third Party Reliance

This report is solely for Momentum's information and is not to be used for any other purpose.

This report has been prepared at the request of Momentum in accordance with the terms of KPMG's engagement letter dated 21 May 2018. Other than our responsibility to Momentum, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

b) Inherent Limitations

This report has been prepared as outlined in the Scope Section of our letter of engagement dated 21 May 2018 specifically in relation to performing a financial condition investigation and the production of an associated FCR and Section 78 Report. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the New Zealand Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, Momentum consulted as part of the process.

All information or explanations obtained for use in the production of this report has been provided by Momentum, BlueInc or their auditors. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

James Collier FNZSA

Appointed Actuary

Momentum Life Limited

6 September 2018

Independent auditor's report

To the shareholder of Momentum Life Limited

The consolidated financial statements comprise:

- the consolidated balance sheet as at 30 June 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Momentum Life Limited (the Company), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2018, 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 consolidated 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 Group 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 an assurance service over the solvency return of the Company. PwC Australia (a separate firm) performs the preparation of the Group's consolidated financial statements. The provision of these other services has not impaired our independence as auditor of the Group.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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-5/

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
14 September 2018

Auckland

momentumlife.co.nz