Momentum Life Limited

Annual Report

for the year ended 30 June 2021

Contents

Directors' Report

The directors of Momentum Life Limited (the "Parent") present their report to the shareholder together with the audited financial statements of the Parent and its subsidiaries (together, the "Group") for the financial year ended 30 June 2021.

Directors

The directors of the Parent in office at the date of this report are as follows:

Lloyd Cartwright

Thomas Grogan

John G Errington (appointed 12 August 2020)

David E Nathan (appointed 12 August 2020)

Martin Philipsen (resigned 12 August 2020)

Russell H Howden (resigned 12 August 2020)

Principal activities

The principal activity of the Parent during the year were the provision of life insurance.

Dividends

No dividends were paid during the financial year ended 30 June 2021 (2020: $Nil)

Results

The operating profit after tax of the Group for the year ended 30 June 2021 was $2,550,761 (2020: $1,289,065).

Disclosures

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.

Auditor

Baker Tilly Staples Rodway were appointed to undertake the audit of the financial statements for the year ended 30 June 2021.

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

In the opinion of the directors,

- The Statement of Financial Position of the Group as set out on page 5 is drawn up to present fairly in all material respects, the state of affairs of the Group as at 30 June 2021 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- At the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

John Errington
Chairman

Lloyd Cartwright
Director

07 October 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue			
Premium revenue		9,758,159	7,957,625
Premium ceded to reinsurers		(3,271,523)	(2,525,593)
Net premium revenue		6,486,636	5,432,032
Reinsurance commission income	7	3,449,151	3,677,550
Commission income		2,996,426	1,320,591
Investment income	6	185,679	241,550
Total revenue		13,117,892	10,671,723
Expenses			
Claims expenses:			
Claims expenses		(1,326,526)	(358,267)
Reinsurance recoveries		994,776	268,616
Net claims expenses		(331,750)	(89,651)
Change in life insurance contract assets/liabilities	17	202,462	(153,268)
Commission expenses	7	(5,755,514)	(6,849,628)
Other expenses	7	(3,605,865)	(1,788,476)
Total expenses		(9,490,667)	(8,881,023)
Profit before income tax		3,627,225	1,790,700
Income tax expense	9	(1,076,464)	(501,635)
Profit for the year		2,550,761	1,289,065
Other comprehensive income			
Exchange differences on translation of foreign operations		(475)	-
Total other comprehensive income for the year, net of tax		(475)	-
Total comprehensive income for the year		2,550,286	1,289,065
Total comprehensive income for the year is attributable to:			
Owner of Momentum Life Limited		2,550,286	1,289,065

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

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 $	2020 $
Assets			
Cash and cash equivalents	10	2,917,000	3,384,644
Trade and other receivables	11 (a)	816,702	557,725
Term deposits	11 (b)	10,138,314	8,081,876
Prepayments		81,909	-
Trail commission asset	12	12,435,195	11,626,319
Life insurance contract assets	17	8,482,532	7,099,399
Total Assets		34,871,652	30,749,963
Liabilities			
Trade and other payables	13	1,127,446	1,014,938
Current tax liabilities	16 (a)	348,787	613,330
Employee benefit obligations	15	232,563	7,726
Borrowings	14	3,350,807	3,329,902
Deferred tax liabilities	16 (b)	3,635,540	3,338,515
Life insurance contract liabilities ceded under reinsurance	17	8,258,727	7,078,056
Total liabilities		16,953,870	15,382,467
Net assets		17,917,782	15,367,496
Equity			
Contributed equity	19	112,582	112,582
Other reserves		(475)	-
Retained earnings		17,805,675	15,254,914
Total equity		17,917,782	15,367,496

On behalf of the Board of Directors

John Errington
Chairman

Lloyd Cartwright
Director

07 October 2021

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Contributed equity $	Other reserves $	Retained earnings $	Total equity $
Balance at 1 July 2019	112,582	-	13,965,849	14,078,431
Profit for the year	-	-	1,289,065	1,289,065
Total comprehensive income for the year	-	-	**1,289,065**	**1,289,065**
Balance at 30 June 2020	**112,582**	**-**	**15,254,914**	**15,367,496**
Balance at 1 July 2020	**112,582**	**-**	**15,254,914**	**15,367,496**
Profit for the year	-	-	2,550,761	2,550,761
Total comprehensive income for the year	**-**	**(475)**	**2,550,761**	**2,550,286**
Balance at 30 June 2021	**112,582**	**(475)**	**17,805,675**	**17,917,782**

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 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Premiums received		9,770,527	7,940,761
Reinsurance recoveries received		761,116	244,961
Reinsurance commission received		3,401,830	3,897,365
Other commission received		2,199,758	2,446,272
Payments to reinsurers		(5,480,306)	(4,348,529)
Claims paid		(1,326,526)	(358,267)
Payments to distributors		(3,687,803)	(5,104,247)
Payments to suppliers and employees		(3,168,208)	(1,678,621)
Interest received		183,178	249,830
Interest paid		(20,790)	(200)
Income taxes paid		(1,043,982)	(871,470)
Net cash inflow from operating activities		1,588,794	2,417,855
Cash flows from investing activities			
Payments for term deposits		(2,056,438)	(1,581,876)
Net cash (outflow) from investing activities		(2,056,438)	(1,581,876)
Cash flows from financing activities			
Net cash (outflow) from financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		(467,644)	835,979
Cash and cash equivalents at the beginning of the year		3,384,644	2,548,665
Cash and cash equivalents at the end of the year	10	2,917,000	3,384,644
Reconciliation of profit after tax to cash flows from operating activities			
Profit for the year		2,550,761	1,289,065
Changes in operating assets and liabilities:			
(Increase) / Decrease in trade and other receivables		(340,886)	200,196
(Increase) / Decrease in trail commission asset		(808,876)	1,113,261
Increase / (Decrease) in trade and other payables		112,508	(46,797)
(Increase) / Decrease in life insurance contract assets		(1,383,133)	13,508
Increase in life insurance contract liabilities		1,180,671	139,760
(Decrease) in provision for income taxes payable		(264,543)	(100,472)
Increase / (Decrease) in deferred tax liabilities		297,025	(269,363)
Increase in other provisions		245,267	78,697
Net cash inflow from operating activities		1,588,794	2,417,855

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

1. Reporting entity

Momentum Life Limited and its subsidiaries are financial services companies that provide insurance services. The Parent and its subsidiaries are for-profit entities.

The address of its registered office is Level 1, 103 Carlton Gore Road, Newmarket, Auckland, 1023, New Zealand.

The financial statements were authorised for issue by the Directors on 07 October 2021.

2. 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.

(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 (GAAP). 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).

The Parent and its subsidiary are incorporated and domiciled in New Zealand. The principal activity of the Parent is the provision of life insurance.

(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:

- life insurance contract assets and liabilities measured using Margin on Services (MoS) principles (refer to note 2(i) for further information); and
- trail commission asset measured using the discounted cash flow method.

(iii) Use of estimates & 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 3. Such estimates will require review in future periods.

(iv)Presentation currency & rounding

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

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all 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.

(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.

2. Summary of significant accounting policies (continued)

Unpaid premiums are only recognised as revenue 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) 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 include upfront commission and the commission received over the life of the life insurance policies (i.e. trail commission). Commission income is measured based on the consideration to which the Group expects to be entitled and excludes amounts collected on behalf of third parties. Commission income is only recognised to the extent that it is highly probably that a significant reversal will not occur. This revenue is earned at the initial sale of the underlying insurance policy. The trail commission receivable is recognised as contract asset, which represents management's estimate of the variable consideration to be received. The Group uses the 'expected value' method of estimating the variable consideration, which is created based on the life of the insurance contracts, and re-estimated at the end of each reporting period, based on the changes (if any) in the variable inputs and assumptions. Refer to Note 2(o) for further information.

Changes in trail commission assets are expected to be driven by favourable (or unfavourable) experience against the expectations or changes in the variable inputs and assumptions for the existing portfolio.

(ii) Interest income

Interest income is recognised using the effective interest method. When a financial asset 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 asset, and continues unwinding the discount as interest income.

(d) Expense recognition

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

(i) Claims

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 accrual basis once the liability to the policyholder has been established under the terms of the contract.

A provision is made for claims that have been incurred but not reported and recognised in the Statement of Financial Position within the life insurance contract liabilities. Please refer to note 2(i) for further information.

(ii) Commission & 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.

(e) 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 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

2. Summary of significant accounting policies (continued)

growth and development expenses.

(f) 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 period, based on tax rate (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.

(g) Financial assets

(i) Classification of financial assets The Group classifies its financial assets into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL');
- those to be measured subsequently at fair value through other comprehensive income ('FVTOCI'); and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that meets the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the above, the Group may make the following irrevocable election/ designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or
- FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Group has no financial assets classified as FVTOCI or FVTPL.

Financial assets measured at amortised cost

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Group's financial assets measured at amortised cost are disclosed in notes 10 and 11. All term deposits are fixed rate term deposits with a maturity of 24 months or less and all trade receivables are current.

(ii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.
The amount of expected credit losses ('ECL') is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Group always recognises lifetime ECL for trade receivables and trail commission asset. The expected credit losses on these financial assets are estimated based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a

2. Summary of significant accounting policies (continued)

significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

(h) Life insurance contract assets & liabilities

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.

(i) Determination of life insurance contract assets & liabilities

Life insurance contract assets and liabilities 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 asset and 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.

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 are only 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 & 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 are not absorbed within the future value of profit margins, but, instead, recognised during the reporting period.

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.

(j) Equity

(i) Shares

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

2. Summary of significant accounting policies (continued)

(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.

(k) 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 & liabilities

Assets and liabilities are offset 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 & services tax

Income and expenses 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.

(l) Impairment of non-financial 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 its 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).

(m) Cash & 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.

(n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(o) 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 classified as a contract asset and is measured at the net present value of the estimated future commission receipts, which are received over the life of the insurance policies.

(p) Trade & other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of period 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.

2. Summary of significant accounting policies (continued)

Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where there is a material deferral period, provisions are measured at the present value of management's best estimate. 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.

(t) New accounting standards adopted

There were no new standards, amendments or interpretations to existing standards that came into effect during the current accounting period beginning on 1 July 2020, that materially impacted the Group's financial statements and require retrospective adjustment.

(u) Accounting standards issued but not yet adopted

(i) NZ IFRS 17 Insurance Contracts (NZ IFRS 17)

The final version of NZ IFRS 17 was issued in June 2020 and is not expected to be effective for the Group until 1 July 2023. 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.

3. Critical accounting estimates & 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, adjusted for the assumed lapse rates and discounted to a present value. Refer to Note 12 for further details.

Life insurance contract assets and liabilities

Liabilities and assets arising from life insurance are calculated using mathematical and statistical models. The valuations are made in accordance with the Professional Standards issue by the New Zealand Society of Actuaries and take into account the relevant risks and uncertainties. The key inputs in this regard are mortality and morbidity, rates of discontinuance, discount rates and other factors such as regulatory, tax or general economic conditions. Further details are provided in Note 4.

(b) Impact of COVID-19

COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020. As of 30 June 2021, the New Zealand government’s response in containing the virus has been successful to date albeit with severe economic impact. The longer term economic and health outcomes are still uncertain.

In preparing these financial statements, attention was given to how the pandemic can impact the Group directly (e.g. deaths) or indirectly (e.g. wider economic impacts).

At 30 June 2021, it was considered whether a short-term overlay should be applied to the best estimate claims and lapse assumptions in respect of COVID-19. In determining the life insurance contract assets and liabilities, no short-term overlay was applied, reflecting the situation in New Zealand at 30 June 2021, the Group’s claims exposure (which is primarily related to death cover, rather than disability cover and with no death claims) and short-term lapse experience. The long-term exposure is still highly uncertain and will continue to emerge over the financial year 2022. This will be monitored closely and assessed accordingly.

We have considered the impacts of COVID-19 on the valuation of trail commission asset. This includes the potential impact on key assumptions such as lapse rates of the distributed policies. No specific COVID-19 allowances were included based on the lapse rate investigation and any impact would emerge as experience.

4. Summary of significant actuarial methods & assumptions

The actuarial reports on life insurance contract assets/liabilities and solvency reserves for the current reporting period were prepared as at 30 June 2021. 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 (described in note 2(i)). The profit carrier for the risk business to achieve systematic release of planned margins is premiums.

Discount rates

The gross of tax interest rates used for the valuation of policyholder liabilities reflect the full NZ Government Bond yield curve as at 30 June 2021. These are summarised in the table below (forward rates).

Forward Rates	(%)
1 Year	0.30
5 Years	1.53
10 Years	2.75
20 Years	4.46

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 (2020: 2%).

Future expenses & 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 benefit. Expense assumptions are assumed to increase each year by the inflation rate set out above, with inflation starting in July 2021.

Per benefit maintenance expense assumptions:

Related Product Group	2021 $	2020 $
Lump Sum Level	22.00	21.53
Lump Sum YRT	42.50	42.94

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% (2020: 28%). Life insurance contract assets/liabilities are calculated gross of tax with a separate liability being held for tax.

Mortality & morbidity

Due to the Group's limited experience, projected future mortality and morbidity (Accidental Serious Injury 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 for policies underwritten by the Parent (including cancelled from inception lapses) are between 5% and 55% (2020: between 6% and 55%).

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.

5. Source of profit

This note relates to the Parent entity only.

	2021 $	2020 $
Life insurance contracts		
Planned profit margins	510,019	384,290
Difference between actual and assumed experience	79,769	(86,566)
Effects of Change in Underlying Assumptions		
Change in economic assumptions	74,174	(73,944)
	663,962	223,780
Investment earnings on assets in excess of policyholder liabilities	133,479	172,579
Profit after income tax	797,441	396,359

6. Investment income

	2021 $	2020 $
Interest income	185,679	241,550
Total investment income	185,679	241,550

7. Expenses

(a) Commission & other expenses

		2021 $	2020 $
Life insurance contracts			
Acquisition costs			
Commission expenses		2,333,691	1,944,670
Other expenses		544,469	543,589
Maintenance costs			
Commission expenses		1,277,587	1,227,408
Other expenses		1,279,431	1,162,976
Total commission and other expenses		5,435,178	4,878,643
Non-Statutory Fund			
Other expenses	(7b)	1,781,965	81,911
Consolidated			
(less) eliminated commission expenses paid to subsidiary		(1,304,915)	-
Total commission and other expenses		5,912,228	4,960,554

Commission expenses are presented net of the reinsurance commission income due to the inherent dependence and relationship of the two. The reinsurance commission income of $3,449,151 and gross commission expenses of $7,060,429, less eliminated commission expenses paid to subsidiary of $1,304,915, are presented in the statement of comprehensive income. Commission expenses are split into acquisition costs of $2,333,691 and maintenance costs of $1,277,587.

7. Expenses (continued)

(b) Other expenses

	2021 $	2020 $
Marketing and distribution expenses	820,223	2,582
Employment expenses	1,101,909	212,162
Directors' fees	179,833	157,500
Professional fees	332,042	362,888
Third party policy administration fees	521,935	544,220
Other costs	530,500	362,090
Finance costs		
Interest and finance charges paid/payable	74,218	55,839
Realised foreign exchange losses on international payments	24,848	11,955
Unrealised foreign exchange losses on foreign currency loans	20,357	79,240
Total other expenses	3,605,865	1,788,476

The increase in marketing and employment expenses in 2021 is the result of bringing in-house the previously outsourced distribution and policy administration activities in March 2021.

8. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor, Baker Tilly Staples Roadway (2020: PricewaterhouseCoopers), of the parent entity and its subsidiaries, its related practices and non-related audit firms:

	2021 $	2020 $
Audit & other assurance services		
Audit	60,000	116,607
Solvency Return	10,000	17,000
Total fees paid to auditors	70,000	133,607

It is the Group's policy that, subject to the approval of the Ultimate Parent Company Board, the auditor can provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor.

The auditor 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.

9. Income tax expense

(a) Income tax expense

	2021 $	2020 $
Current tax	779,439	770,998
Deferred tax	297,025	(269,363)
Total income tax expense	1,076,464	501,635

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

	2021 $	2020 $
Profit before income tax expense	3,627,225	1,790,700
Tax at the New Zealand tax rate of 28.0% (2020: 28.0%)	1,015,623	501,396
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	60,841	239
Income tax expense	1,076,464	501,635

10. Cash & cash equivalents

	2021 $	2020 $
Cash at bank and in hand	2,917,000	3,384,644

11. Financial assets

(a) Trade & other receivables

	2021 $	2020 $
Trade receivables	736,983	476,845
Premium receivables	12,403	16,065
Interest receivable	67,316	64,815
Total trade and other receivables	816,702	557,725

(b) Term deposits

	2021 $	2020 $
Financial assets at amortised cost		
Term deposits	10,138,314	8,081,876

12. Trail commission asset

	2021 Current $	2021 Non-current $	2021 Total $	2020 Current $	2020 Non-current $	2020 Total $
Trail commission asset	1,987,721	10,447,474	12,435,195	1,908,166	9,718,153	11,626,319

The following table presents the asset movements for the years ended 30 June 2021 and 30 June 2020:

	Trail Commission asset $
Opening balance 1 July 2019	**12,739,580**
Trail commission asset received	(2,324,511)
Change in net present value of future cash flows	1,211,250
Net movement	**(1,113,261)**
Closing balance 30 June 2020	**11,626,319**
Opening balance 1 July 2020	**11,626,319**
Trail commission asset received	(2,187,550)
Change in net present value of future cash flows	2,996,426
Net movement	**808,876**
Closing balance 30 June 2021	**12,435,195**

(i) Valuation inputs used to determine the trail commission estimate

The following table summarises the significant inputs:

Significant inputs	Key assumptions	Sensitivity
Discount rate	The discount rate used was 8% (2020: 8%).	An increase in the discount rate by 1% would result in a decrease in the asset value by $577,772 (2020: $526,958) and a reduction in the discount rate by 1% would result in an increase in the asset value by $634,153 (2020: $577,393).
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 8% to 37% (2020: 8% to 37%) per year. These include the cancel from inception lapses.	An increase in the lapse rate 0.5% per year would result in a decrease in the asset value by $2,539,462 (2020: $1,890,474) and a reduction in the lapse rate by 0.5% per year would result in an increase in the asset value by $2,320,993 (2020: $1,867,543).
Projection period	The projection period assumed was 20 years (2020: 20 years).	An increase in the projection period by 2 years would result in an increase in the asset value by $110,572 (2020: $91,522) and a decrease in the projection period by 2 years would result in a decrease in the asset value by $166,215 (2020: $138,052).

13. Trade & other payables

	2021 $	2020 $
Trade payables	781,889	539,483
Related entities trade payables	186,188	412,986
Accrued expenses	105,401	50,000
Payroll tax and other statutory liabilities	53,968	12,469
Total trade and other payables	1,127,446	1,014,938

14. Borrowings

	2021 Current $	2021 Non-current $	2021 Total $	2020 Current $	2020 Non-current $	2020 Total $
Unsecured						
Loans from related parties	-	3,350,807	3,350,807	-	3,329,902	3,329,902

Please refer to Note 22(f) for further information on Loans from related parties.

15. Employee benefit obligations

	2021 Current $	2021 Non-current $	2021 Total $	2020 Current $	2020 Non-current $	2020 Total $
Unsecured						
Leave obligations	210,998	21,565	232,563	7,726	-	7,726

The leave obligations cover the Group's liability for annual leave, sick leave and long service leave.

16. Tax liabilities

(a) Current income tax

	2021 $	2020 $
Movements		
Opening balance	613,330	713,802
Payments made during the year	(1,043,982)	(871,470)
Charged:		
- Profit or loss	779,439	770,998
Closing balance	348,787	613,330

16. Tax liabilities (continued)

(b) Deferred income tax

	2021 $	2020 $
The balance comprises temporary differences attributable to		
Deferred tax liabilities		
Trail commission asset	3,481,847	3,255,369
Life insurance contracts, net of reinsurance	183,616	109,919
Deferred tax assets		
Expense accruals	(29,923)	(26,773)
Net deferred tax liabilities	3,635,540	3,338,515
Movements		
Opening balance	3,338,515	3,607,878
Charged/credited:		
Deferred tax liabilities		
- Profit or loss	297,025	(269,363)
Closing balance	3,635,540	3,338,515

17. Life insurance contracts assets/liabilities

Net life insurance contract assets contain the following components:

	2021 $	2020 $
Future premiums	113,562,118	91,834,929
Future policy benefits	(55,821,552)	(42,841,441)
Future expenses	(23,863,219)	(20,848,311)
Future reinsurance	(8,258,727)	(7,078,056)
Planned profit margins gross of reinsurance	(25,394,815)	(21,045,778)
Total life insurance contract assets, net of reinsurance	223,805	21,343
Estimated discounted net cash inflows from life insurance contract assets:		
- Less than one year	305,568	118,246
- One year to five years	(37,250)	56,144
- Later than five years	(44,513)	(153,047)
Total net life insurance contract assets future net cash inflows	223,805	21,343

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

17. Life insurance contracts assets/liabilities (continued)

	2021 $	2020 $
Reconciliation of movements in life insurance contracts assets / liabilities		
Life insurance contract assets		
Opening balance	7,099,399	7,112,907
Recognised in statement of comprehensive income	1,383,132	(13,508)
Closing balance	8,482,532	7,099,399
Current	4,759,262	2,096,421
Non-current	3,723,270	5,002,978
	8,482,532	7,099,399
Life insurance contract liabilities ceded under reinsurance		
Opening balance	7,078,056	6,938,296
Recognised in statement of comprehensive income	1,180,670	139,760
Closing balance	8,258,727	7,078,056
Current	4,453,694	1,978,176
Non-current	3,805,032	5,099,881
	8,258,727	7,078,056

18. 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 yearly 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

18. Insurance risk (continued)

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 of 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 below illustrates concentrations of insurance risk according to benefit types and the extent to which this risk is mitigated by reinsurance.

	Sum insured 2021 $	Sum reinsured 2021 $	Sum insured 2020 $	Sum reinsured 2020 $
Aggregate Sums Assured				
Life*	1,037,229,694	787,907,493	842,343,470	639,292,674
Trauma / Accidental Serious Injury*	55,975,342	41,981,507	60,726,580	45,544,935
Total	1,093,205,036	829,889,000	903,070,050	684,837,609

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

Terms & 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 and on the next page provide an overview of the key variables upon which the amount of related cash flows are dependent:

Type of contract	Detail of contract terms & 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 • Inflation rates

18. Insurance risk (continued)

Sensitivity to insurance risk

A change in the actuarial assumptions would have the following impact on future margins, profit before reinsurance and profit after reinsurance. The profit impact shown is the loss recognition (if any) that would result from the change in actuarial assumptions.

	2021			2020		
	Impact on future margins $	Impact on profit before reinsurance $	Impact on profit after reinsurance $	Impact on future margins $	Impact on profit before reinsurance $	Impact on profit after reinsurance $
Discontinuance + 10%	(1,076,165)	-	-	(908,517)	-	-
Mortality + 10%	(1,127,031)	-	-	(879,678)	-	-
Morbidity +10%	(7,912)	-	-	(7,618)	-	-
Expenses + 10%	(579,110)	-	-	(507,650)	-	-
Discount rates + 1%	(702,714)	198,748	40,761	(630,473)	254,977	47,304
Inflation rates + 1%	(514,560)	-	-	(466,129)	-	-
Discontinuance - 10%	1,426,206	-	-	1,242,220	-	-
Mortality - 10%	1,172,539	-	-	914,180	-	-
Morbidity -10%	8,497	-	-	8,138	-	-
Expenses - 10%	579,110	-	-	507,650	-	-
Discount rates - 1%	824,960	(284,005)	(50,519)	767,175	(388,643)	(59,767)
Inflation rates - 1%	452,851	-	-	407,180	-	-

19. Contributed equity

(a) Share capital

	2021 Shares	2020 Shares	2021 $	2020 $
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.

20. 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 2021, 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 tables on the following pages show the assets, liabilities, equity, profit and solvency of the Parent by fund.

20. Capital management (continued)

	30 June 2021			30 June 2020		
	Statutory fund $	Shareholder fund $	Total $	Statutory fund $	Shareholder fund $	Total $
Summarised statement of comprehensive income						
Premium revenue	9,758,159	-	9,758,159	7,957,625	-	7,957,625
Premium ceded to reinsurers	(3,271,523)	-	(3,271,523)	(2,525,593)	-	(2,525,593)
Other income	3,449,151	-	3,449,151	3,677,550	-	3,677,550
Investment income	111,101	74,386	185,487	159,313	81,149	240,462
Change in life insurance contract assets/liabilities	202,462	-	202,462	(153,268)	-	(153,268)
Net claims expenses	(331,750)	-	(331,750)	(89,651)	-	(89,651)
Commission expenses	(7,060,430)	-	(7,060,430)	(6,849,628)	-	(6,849,628)
All other expenses	(1,823,900)	(99)	(1,823,999)	(1,706,565)	(101)	(1,706,666)
Profit/(loss) before income tax	1,033,270	74,286	1,107,557	469,783	81,048	550,831
Profit/(loss) after income tax	743,955	53,486	797,441	338,005	58,354	396,359
Summarised balance sheet						
Assets						
Cash and cash equivalents	1,151,001	791,631	1,942,632	1,657,083	1,200,805	2,857,888
Term deposits	6,060,480	4,077,834	10,138,314	5,036,399	3,045,477	8,081,876
All other assets	605,819	2,741,872	3,347,691	338,395	3,326,848	3,665,243
Life insurance contract assets	8,482,532	-	8,482,532	7,099,399	-	7,099,399
Total assets	16,299,832	7,611,337	23,911,169	14,131,276	7,573,130	21,704,406
Liabilities						
All other liabilities	1,379,656	(14,700)	1,364,956	1,135,727	579	1,136,306
Life insurance contract liabilities ceded under reinsurance	8,258,727	-	8,258,727	7,078,056	-	7,078,056
Total liabilities	9,638,383	(14,700)	9,623,683	8,213,783	579	8,214,362
Equity						
Share capital	-	112,582	112,582	-	112,582	112,582
Retained earnings	6,661,449	7,513,455	14,174,904	5,917,493	7,459,969	13,377,462
Total equity	6,661,449	7,626,037	14,287,486	5,917,493	7,572,551	13,490,044
Solvency of the parent						
Actual solvency capital	6,661,449	4,929,015	11,590,464	5,917,494	4,275,529	10,193,023
Minimum solvency capital	1,025,112	112,583	5,000,000	758,090	107,558	5,000,000
Solvency margin	5,636,337	4,816,432	6,590,464	5,159,405	4,167,971	5,193,023
Solvency ratio	650%	4378%	232%	781%	3975%	204%

20. Capital management (continued)

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

	30 June 2021				30 June 2020			
	Parent $	Subsidiaries $	Intra-Group Eliminations $	Group Consolidated $	Parent $	Subsidiary $	Intra-Group Eliminations $	Group Consolidated $
Summarised statement of comprehensive income								
Premium revenue	9,758,159	-	-	9,758,159	7,957,625	-	-	7,957,625
Premium ceded to reinsurers	(3,271,523)	-	-	(3,271,523)	(2,525,593)	-	-	(2,525,593)
Other income	3,449,151	5,163,396	(2,166,970)	6,445,577	3,677,550	1,320,591	-	4,998,141
Investment income	185,487	192	-	185,679	240,462	1,088	-	241,550
Change in life insurance contract liabilities	202,462	-	-	202,462	(153,268)	-	-	(153,268)
Net claims expenses	(331,750)	-	-	(331,750)	(89,651)	-	-	(89,651)
Commission expenses	(7,060,430)	-	1,304,916	(5,755,514)	(6,849,628)	-	-	(6,849,628)
All other expenses	(1,823,999)	(2,643,921)	862,054	(3,605,866)	(1,706,666)	(81,810)	-	(1,788,476)
Profit/(loss) before income tax	1,107,557	2,519,667	-	3,627,224	550,831	1,239,869	-	1,790,700
Profit/(loss) after income tax	797,441	1,753,319	-	2,550,761	396,359	892,706	-	1,289,065
Summarised balance sheet								
Assets								
Cash & cash equivalents	1,942,632	974,369	-	2,917,001	2,857,888	526,756	-	3,384,644
Term deposits	10,138,314	-	-	10,138,314	8,081,876	-	-	8,081,876
All other assets	3,347,691	13,394,227	(3,408,112)	13,333,806	3,665,243	11,815,923	(3,297,122)	12,184,044
Life insurance contract assets	8,482,532	-	-	8,482,532	7,099,399	-	-	7,099,399
Total assets	23,911,169	14,368,596	(3,408,112)	34,871,653	21,704,406	12,342,679	(3,297,122)	30,749,963
Liabilities								
All other liabilities	1,364,956	10,738,200	(3,408,012)	8,695,144	1,136,306	10,465,127	(3,297,022)	8,304,411
Life insurance contract liabilities ceded under reinsurance	8,258,727	-	-	8,258,727	7,078,056	-	-	7,078,056
Total liabilities	9,623,683	10,738,200	(3,408,012)	16,953,871	8,214,362	10,465,127	(3,297,022)	15,382,467
Equity								
Share capital	112,582	100	(100)	112,582	112,582	100	(100)	112,582
Retained earnings	14,174,904	3,630,296	-	17,805,200	13,377,462	1,877,452	-	15,254,914
Total equity	14,287,486	3,630,396	(100)	17,917,782	13,490,044	1,877,552	(100)	15,367,496

21. 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 a 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, trade and other receivables, term deposits and trail commission asset. The maximum exposure to credit risk is the sum of cash and cash equivalents, trade and other receivables, term deposits and trail commission asset. None of the financial assets are past due or impaired. Based on the ECL model, as detailed in Note 2 g (ii), no indication of impairment has been noted. The financial data used by the management are based on the forecast cash flows incorporating financial stability and credit ratings of the counter parties. 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 notes 11 & 12 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	2021	2020
Bank of New Zealand Limited	AA-	47%	44%
Westpac New Zealand Limited	AA-	53%	56%

The financial strength ratings for the Group’s major reinsurers are shown in the table below. The ratings are from Standard & Poor’s.

	2021	2020
Hannover Life Re of Australasia Limited	AA-	AA-

The financial strength ratings for the Group’s major wholesale customer in relation to the trail commission asset are shown in the table below. The ratings are from A.M. Best.

	2021	2020
New Zealand licensed insurer	A-	A-

(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. Except for the trail commission asset and life insurance contract assets and liabilities, none of the financial assets and liabilities are volatile to the market factors (such as interest rate, exchange rate and price). The fair value of all financial assets and liabilities is deemed to be equal to the carrying value as recorded in the statement of financial position. The maximum exposure to market risk comes from the trail commission asset and net value of life insurance contract assets and liabilities, as market data is relied upon in estimating their carrying amounts. Please refer to notes 4, 12, 17 and 18 for the qualitative and quantitative data used to manage market risk associated with them.

(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

21. Financial risk management (continued)

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% (2020: 1%), 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 before tax and equity. The effect of a similar movement in interest rates on investments is not material.

	30 June 2021		30 June 2020	
	+1% $	-1% $	+1% $	-1% $
Life insurance contract assets, net of reinsurance	(56,612)	70,166	(65,700)	83,010

(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 17. Payables and other liabilities are payable within three months.

All contractual liabilities are current and include borrowings and trade and other payables. Balances are managed on a contractual basis.

22. Related party transactions

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

	2021 $	2020 $
Short-term employee benefits	592,706	361,892
Total employment benefits	**592,706**	**361,892**

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2021 $	2020 $
Distribution and marketing expenses		
Commonly controlled entities	4,174,396	5,447,375

(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:

	2021 $	2020 $
Current payables		
Fellow subsidiaries	186,188	412,986

(f) Loans to/from related parties

	2021 $	2020 $
Loans from fellow subsidiaries		
Beginning of the year	3,329,902	3,250,799
Loans advanced	20,905	79,103
Loan repayments made	-	-
End of year	3,350,807	3,329,902

The loans to/from related parties are unsecured, non-interest bearing and the parties agreed that no repayments will be made over the next 12 months.

23. Contingent liabilities and commitments

The Group had no contingent liabilities or commitments at 30 June 2021 (2020: $nil).

24. Interest in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2021 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**	**2021 %**	**2020 %**	**Principal activities**
Momentum Life Services Limited	New Zealand	100	100	Insurance services
Momentum Life Administration Pty Limited	Australia	100	NA	Insurance services

Momentum Life Services Limited ('MLS') was incorporated on 9 April 2018 and Momentum Life Limited transferred all its pre-licence related trail commission asset to MLS. MLS has a balance date of 30 June.
Momentum Life Administration Pty Limited ('MLA') was incorporated on the 15 February 2021 and has been carrying the policy administration services for all Momentum Life policies since 1 April 2021. MLA has a balance date of 30 June.

25. Events occurring after the reporting period

The New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) on 17 August 2021, lowering the Alert Levels for Auckland to Level 3 on 21 September 2021, while the rest of New Zealand was lowered to Alert Level 2 on 7 September 2021.

These consolidated financial statements have been prepared based upon conditions existing at the end of the reporting period, 30 June 2021.

As the change to Alert Level 4 occurred after 30 June 2021, no adjustments have been made to these consolidated financial statements in relation to the change in Alert Levels.

No other matter or circumstance has occurred subsequent to 30 June 2021 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

This Appointed Actuary's report under Section 78 of the Insurance (Prudential Supervision) Act 2010 (IPSA) is prepared in respect of the financial statements of Momentum Life Limited (Momentum) for the year ended 30 June 2021.

I have undertaken a review of the actuarial information (as defined in section 77(4) of IPSA) contained in, and used in the preparation of, the financial statements of Momentum (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 Momentum under section 55 of IPSA, and with the New Zealand Society of Actuaries' Professional Standards.

In respect of my review, I confirm as follows:

a) I, James Collier FNZSA, am the Appointed Actuary for Momentum under section 76(1) of IPSA, and that I have prepared this report.

b) 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:

   i. Information relating to the Momentum's calculations of claims and claims reserves, dividends, insurance rates, and technical provisions (annuity rates and unvested policyholder benefits liability are not applicable to Momentum);

   ii. Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the Momentum if those events do occur;

   iii. Momentum's Policy Liability, as defined in the Solvency Standard;

   iv. Risk management policies including reinsurance exposures and reinsurance assets relevant to the Policy Liability;

   v. The deferred tax assets or liabilities relevant to the Policy Liability;

   vi. The deferred acquisition cost relevant to the Policy Liability;

   vii. The analysis of Momentum's profit;

viii. Any additional assumptions used in the calculation of the Policy Liability;

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

x. The consistency between the Solvency Standard and the calculated Solvency Margin; and;

xi. Momentum's checks and controls over data and valuation processes.

c) There were no limitations in performing the scope of my review, other than reliances on information prepared by Momentum. I have performed high level reasonableness checks and found this information to be materially accurate.

d) Other than my relationship as Appointed Actuary, I am a partner of KPMG, which receives consulting fees from Momentum. I have no other financial interest in Momentum.

e) 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.

f) I consider that 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.

g) I consider that in my opinion and from an actuarial perspective, Momentum, as at 30 June 2021, is maintaining a solvency margin that complies with that required under the Solvency Standard for the purposes of sections 21(2)(b) of IPSA.

h) I consider that in my opinion and from an actuarial perspective as at 30 June 2021, Momentum is maintaining solvency margins that comply with those required under the Solvency Standard for the purposes of section 21(2)(c) of IPSA.

I have prepared, dated and signed this report solely in my capacity as Momentum's Appointed Actuary under section 76(1) of IPSA. To the fullest extent permitted by law, I do not accept responsibility to anyone other than the Reserve Bank of New Zealand, Momentum, its board and shareholder for the contents of this report.

James Collier
Appointed Actuary
Momentum Life Limited
30 September 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Momentum Life Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Momentum Life Limited and its subsidiaries ('the Group') on pages 4 to 31, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated 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').

Our report is made solely to the Shareholders of the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group those matters 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 Shareholders of the Group as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and provider of other assurance services we have no relationship with, or interests in, Momentum Life Limited or any of its subsidiaries. The provision of these other assurance services has not impaired our independence.

In addition to this, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. This has not impaired our independence.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of life insurance contract assets and life insurance contract liabilities ceded under reinsurance As disclosed in Note 17 of the Group's consolidated financial statements, the Group has life insurance contract assets of $8.5m, and life insurance contract liabilities ceded under reinsurance of $8.3m. The Group's life insurance contract assets and life insurance contract liabilities ceded under reinsurance were significant to our audit due to the size of these balances, and the subjectivity, complexity, and uncertainty inherent in estimating the expected cash flows and profit margins, relevant to their determination. Expected cash flows include future premiums, maintenance expenses, benefit payments, and key assumptions include projected mortality and morbidity experience, discontinuance rates, and discount rates. Management has engaged an external actuarial expert to estimate the Group's life insurance contract assets and life insurance contract liabilities ceded under reinsurance as at 30 June 2021.	Our audit procedures among others included: ▪ Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the valuation of the Group's life insurance contract assets and life insurance contract liabilities. ▪ Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, claims management and reporting and the integrity of the related data. ▪ Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions. ▪ Agreeing the data provided to Management's external actuarial expert to the Group's records. ▪ Engaging our own actuarial expert to assist in understanding and evaluating: o the work and findings of the Group's external actuarial expert engaged by Management; and o the Group's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management. ▪ Evaluating the selection of methods and assumptions with a view to identify Management bias. ▪ Evaluating the related disclosures (including the accounting policies and accounting estimates) about life insurance contract assets and life insurance contract liabilities, and the risks attached to them, which are included in Notes 4 and 17 in the Group's consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of the trail commission asset As disclosed in Note 12 of the Group's consolidated financial statements, the Group has a trail commission asset of $12.4m. The Group's trail commission asset was significant to our audit due to the size of the asset, and the subjectivity, complexity, and uncertainty inherent in estimating the future commission receipts arising from the distribution of life insurance products. Management has prepared a model to measure the expected future commission receipts, to determine the valuation of the trail commission asset as at 30 June 2021.	Our audit procedures among others included: ▪ Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the valuation of the Group's trail commission asset. ▪ Assessing the mathematical accuracy of the trail commission asset valuation model. ▪ Agreeing trail commission receipts received during the year to supporting documents on a sample basis. ▪ Evaluating management's previously forecast trail commission income against actual receipts to assess historical accuracy of management's estimates. ▪ Evaluating the accuracy of the underlying policy data used in management's valuation model by agreeing underlying policy data to supporting documentation on a sample basis. ▪ Engaging our own expert to assist in understanding and evaluating the Group's valuation methods and assumptions to assist us in challenging the appropriateness of the methods and assumptions used by Management. ▪ Evaluating the selection of methods and assumptions with a view to identify Management bias. ▪ Evaluating the related disclosures (including the accounting policies and accounting estimates) about the trail commission asset, and the risks attached to them, which are included in Note 12 in the Group's consolidated financial statements.

Other Matter

The consolidated financial statements of Momentum Life Limited for the year ended 30 June 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 8 October 2020.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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 , 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.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group 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 the 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 on behalf of the Group 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) 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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent fairly the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Matters Relating to the Electronic Presentation of the Audited Consolidated Financial Statements

This audit report relates to the consolidated financial statements of Momentum Life Limited and its subsidiaries for the year ended 30 June 2021 included on Momentum Life Limited's website. The Directors of Momentum Life Limited are responsible for the maintenance and integrity of Momentum Life Limited's website. We have not been engaged to report on the integrity of Momentum Life Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 7 October 2021 to confirm the information included in the audited consolidated financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

The engagement partner on the audit resulting in this independent auditor's report is N S de Frere.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

7 October 2021