MELVILLE JESSUP WEAVER

WTW Alliance Partner

31 October 2022

Ms S Nakanishi
Financial Controller
FlexiGroup (New Zealand) Limited
111 Carlton Gore Road
NEWMARKET 1023

Dear Susan

Consumer Insurance Services Ltd - Section 78 Review

Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010 require that the Appointed Actuary must review and comment on the appropriateness of the actuarial information contained in, or used in the preparation of the Insurer's financial statements as at 30 June 2022.

I note that I produced the Insurance Liability Valuation Report (ILVR) for Consumer Insurance Services Ltd ("CISL") as at 30 June 2022 (dated 31 October 2022) and the Financial Condition Report as at 30 June 2022 (dated 31 October 2022).

Scope & investigation

A key aspect of my review as appointed actuary is what constitutes actuarial information.

The Appendix to this letter details the regulatory requirements on actuarial information and my interpretation of these requirements. It also details the investigations that have been carried out as part of the review.

Summary and conclusion of review

I have reviewed all actuarial information contained in or used to prepare the financial statements of CISL as at 30 June 2022.

In my opinion, all actuarial information has been materially included and used appropriately in the financial statements of CISL as at 30 June 2022.

Declaratory statements

I confirm that I have no relationship with, or interests in CISL, other than as Appointed Actuary. I have obtained all information and explanations that have been required to carry out this review.

Yours sincerely

Craig Lough FNZSA
Appointed Actuary

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Scope and review of actuarial information **Appendix**

Under section 77 of the IPSA, a licensed insurer is required to ensure that *actuarial information* contained in, or used in the preparation of, the insurer's financial statements and any group financial statements is reviewed by the appointed actuary.

Actuarial information is stated in section 77(4) to mean:

a) Information relating to an insurer's calculation of premiums, claims, reserves, dividends, insurance and annuity rates and technical provisions; and

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

c) Information specified in the applicable solvency standards as being actuarial information for the purposes of this section.

In relation to c) above, section 130 of the Solvency Standard for Non-Life Insurance Business adds the following to the IPSA specifics of *actuarial information*:

a) The Premium Liabilities as defined in the Solvency Standard;

b) The Net Outstanding Claims Liability as defined in the Solvency Standard;

c) The reinsurance and any other recovery asset(s) relevant to the reinsurance recovery risk capital charge;

d) Any deferred acquisition cost or deferred fee revenue relevant to the premium liabilities; and

e) Any other information deemed by the appointed actuary to warrant actuarial review for the purpose of profit or solvency reporting.

In respect of (e), the only additional piece of information that I considered appropriate to warrant actuarial review was the Liability Adequacy test and in particular the Unearned Premium Reserve.

In respect of the financial accounts, it is recognised that these have been subject to an independent audit.

The scope and review of the actuarial information is detailed below.

1 IPSA section 77(4)(a) - Information relating to an insurer's calculation of premiums, claims, reserves, dividends, insurance and annuity rates and technical provisions.

1.1 Premiums and Claims

In respect of premium and claim information, as part of the ILVR, I have carried out reconciliations between the valuation data (premiums and claims) and the financial information. These reconciliations showed that the premium and claim information was consistent.

1.2 Dividends

In respect of dividends, I note that CISL's capital policy requires that the RBNZ solvency margin must be at least 110%. The total dividends that were paid relating to the period ending 30 June 2022 satisfy these criteria.

1.3 Reserves and technical provisions

I have covered the references to reserves and technical provisions under Insurance Liabilities below.

References to annuity rates are not applicable to CISL.

2 IPSA section 77(4)(b) - Information relating to assessments of the probability of uncertain future events occurring and the financial implications of the insurer if these uncertain events do occur.

Such assessments were used in the preparation of the financial statements. In my calculation of the Insurance Liabilities, a risk margin has been included which makes implicit allowance for these uncertain events.

In my view, the assumptions have been appropriately included in the financial statements and used appropriately therein.

3 IPSA section 77(4)(c) and Solvency Standard

3.1 Insurance Liabilities

The insurance liabilities (premium liabilities and outstanding claims liabilities) used in the accounts were provided by MJW as part of the insurance liability valuation report.

In my view, the insurance liabilities have been used appropriately in the financial statements.

3.2 Reinsurance recoveries

There are no reinsurance or other recoveries for CISL.

3.3 Liability Adequacy Test

The Liability Adequacy Test is described in Note 12 of the Accounts.

In my view, the Liability Adequacy Test has been carried out correctly in the financial statements.

Unearned Premium Reserve

We consider that the UPR, additional grace period reserve and DAC (which is zero) have been determined appropriately.

3.4 Other items

In my view, all other items included in the financial statements are considered non-actuarial.

Consumer Insurance Services Limited
Annual Report
for the year ended 30 June 2022

Directory

Principal business	Insurance services
Directors	CM da Silva (Chairman) OM Meo
Registered office	111 Carlton Gore Road Newmarket Auckland, New Zealand
Auditor	Ernst & Young New Zealand Level 9, Ernst & Young Building 2 Takutai Square, Britomart Auckland New Zealand 1010
Banker	ANZ Bank of New Zealand Limited ANZ Centre 23-29 Albert Street Auckland, New Zealand
	Bank of New Zealand Limited 80 Queen Street Auckland, New Zealand
Actuary	Melville Jessup Weaver Level 6 57 Fort Street Auckland, New Zealand

Directors' report

The Board of Directors of Consumer Insurance Services Limited (the Company) present the financial statements for the year ended 30 June 2022.

With the agreement of its shareholder, the Company has adopted the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of Consumer Insurance Services Limited authorised these financial statements presented on pages 4 to 26 for issue on 31 October 2022.

For and on behalf of the Board.

Carlos M da Silva	Olivia M Meo

Consumer Insurance Services Limited
Financial statements - 30 June 2022

Contents

Statement of comprehensive income

For the year ended 30 June 2022

	Note	**30-Jun-22 $000**	30-Jun-21 $000
Insurance income	4	**1,664**	3,076
Interest income		**43**	25
Total operating income		**1,707**	3,101
Insurance claims and loss adjustment expenses	6	**(112)**	(390)
Commission cost expense	5	**(331)**	(466)
Other operating expenses	20(d)(iii)	**(206)**	(209)
Total expenses		**(649)**	(1,065)
Profit before income tax		**1,058**	2,036
Income tax expense	8	**(296)**	(570)
Profit for the year		**762**	1,466
Total comprehensive income		**762**	1,466
Total comprehensive income is attributable to:			
Shareholder of Consumer Insurance Services Limited		**762**	1,466

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

Statement of financial position

As at 30 June 2022

	Note	**30-Jun-22 $000**	30-Jun-21 $000
Assets			
Cash and cash equivalents		**983**	2,240
Short term deposits		**3,000**	3,000
Related party receivables	20(d)(i)	**381**	394
Sundry debtors		**28**	3
Total assets		**4,392**	5,637
Liabilities			
Payables		**36**	-
Related party payables	20(d)(ii)	**192**	698
Current tax liabilities		**145**	347
Outstanding claims liability	9	**33**	155
Future claims liability	10	**150**	113
Total liabilities		**556**	1,313
Net assets		**3,836**	4,324
Equity			
Share capital		**3,500**	3,500
Retained earnings		**336**	824
Total equity		**3,836**	4,324

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

The Board of Directors of Consumer Insurance Services Limited authorised these financial statements presented on pages 4 to 26 for issue on 31 October 2022.

For and on behalf of Board.

Carlos M da Silva

Olivia M Meo

Statement of changes in equity

For the year ended 30 June 2022

	Note	Attributable to equity holders of the Company		
		Share capital $000	**Retained earnings $000**	**Total equity $000**
As at 1 July 2020		3,500	1,058	4,558
Year ended 30 June 2021				
Profit for the year		-	1,466	1,466
Total comprehensive income		-	1,466	1,466
Transactions with owners				
Dividends	13	-	(1,700)	(1,700)
Total transactions with owners		-	(1,700)	(1,700)
As at 30 June 2021		3,500	824	4,324
As at 1 July 2021		3,500	824	4,324
Year ended 30 June 2022				
Profit for the year		-	762	762
Total comprehensive income		-	762	762
Transactions with owners				
Dividends	13	-	(1,250)	(1,250)
Total transactions with owners		-	(1,250)	(1,250)
As at 30 June 2022		3,500	336	3,836

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

Statement of cash flows

For the year ended 30 June 2022

	Note	30-Jun-22 $000	30-Jun-21 $000
Cash flows from operating activities			
Interest received		**17**	25
Payment received from related parties		**475**	2,318
Income tax paid		**(499)**	(600)
Net cash (outflow)/inflow from operating activities		**(7)**	1,743
Cash flows from investing activities			
Payment for short term deposits		**(3,000)**	(5,000)
Proceeds from short term deposits		**3,000**	4,000
Net cash outflow from investing activities		**-**	(1,000)
Cash flows from financing activities			
Dividends paid	13	**(1,250)**	(1,700)
Net cash outflow from financing activities		**(1,250)**	(1,700)
Net decrease in cash and cash equivalents		**(1,257)**	(957)
Cash and cash equivalents at beginning of the year		**2,240**	3,197
Cash and cash equivalents at end of the year		**983**	2,240

Reconciliation of profit for the year to net cash inflow from operating activities

Profit for the year	**762**	1,466
Increase in accrued interest	**(26)**	-
Decrease in related party receivables	**13**	4
Decrease in other assets	**1**	2
(Decrease)/increase in related party payables	**(506)**	682
Decrease in current tax liabilities	**(202)**	(30)
Increase/(Decrease) in payables	**36**	(203)
Decrease in outstanding claims liability	**(122)**	(154)
Increase/(decrease) in future claims liability	**37**	(24)
Net cash (outflow)/inflow from operating activities	**(7)**	1,743

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

1 General accounting policies

Reporting entity

These financial statements are for Consumer Insurance Services Limited as a separate legal entity.

Consumer Insurance Services Limited (the "Company") provides insurance services in New Zealand.

The Company ceased selling and renewing insurance policies from 7 June 2019 and all policies have been cancelled with effect from 1 July 2022. The Company's amended licence conditions effective 1 October 2019 requires the Company to:

- maintain a solvency margin of at least zero in accordance with the Solvency Standard for Non-life Insurance Business in Run-off 2014. The minimum amount of capital has been set as $3 million; and

- notify and receive approval from the Reserve Bank of New Zealand (the "Reserve Bank") before entering into any new contracts of insurance in New Zealand.

The address of its registered office is 111 Carlton Gore Road, Newmarket, Auckland.

Statutory base

The Company is a limited liability company incorporated and domiciled in New Zealand and registered under the Companies Act 1993, in accordance which these financial statements have been prepared. The Company is a Financial Markets Conduct reporting entity under the Financial Markets Conduct Act 2013.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). The Company is a for-profit entity for the purposes of complying with GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. They comply with International Financial Reporting Standards (IFRS).

The going concern basis of accounting has not been applied in the preparation of the financial statements for 30 June 2022 and for the comparative information provided for the prior financial year, as there is Board approval to wind up the Company within the coming financial year. Management is ensuring that during the wind up phase the shareholder's interests are protected and there is no detrimental impact to policyholders. As such, the financial statements for the current year have been prepared on a realisation basis, which is consistent with that of the prior financial year. There is no material difference for the Company between this basis and a going concern basis of accounting as all assets and liabilities of the Company continue to be measured at fair value or the carrying amount is a reasonable approximation of fair value. Fair value is considered to be the best indicator of realisable value in these circumstances given the orderly wind up of the Company.

These financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. All amounts in these financial statements have been rounded in thousands unless otherwise stated.

New and amended standards adopted

There are no new and amended standards adopted by the Company for the annual reporting period commencing 1 July 2021 that had any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Company.

The following new standard relevant to the Company has been issued:

- NZ IFRS 17 *Insurance Contracts* This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of the standard. NZ IFRS 17 is mandatory for the Company's financial statements and is expected to apply for periods beginning on or after 1 January 2023. It will replace the current standard, NZ IFRS 4 *Insurance Contracts.* There is no impact to the Company given the expected wind-down timetable.

1 General accounting policies (continued)

Other new accounting standards and interpretations not yet adopted are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Comparative revisions

Comparative information has been revised where appropriate to conform to changes in presentation in the current year and to enhance comparability. Where there has been a material restatement of comparative information the nature of, and the reason for the restatement is disclosed.

Restatement of prior year comparatives

No restatements have been made.

The comparatives for Cash flows from operating activities in the Statement of cash flows have been reclasssified by combining related party cash flow, to be consistent with the disclosure in the current year.

2 Summary of significant accounting policies

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

(a) Interest income

Interest income is recognised in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocation of the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

(b) Premium revenue

Premium revenue includes amounts charged to the insured but excludes fire service levies, goods and services tax ("GST") and other amounts collected on behalf of third parties.

Premium revenue is recognised in the profit or loss from the attachment date over the period of the contract. Premium revenue is earned in accordance with the pattern of the underlying exposure to risk expected under the insurance contract.

The portion of premium received, or receivable not earned in the profit or loss at the balance date is recognised in the statement of financial position as unearned premium liability.

(c) Income tax

The income tax expense or benefit for the year is the taxation payable on the current year's taxable income at tax rates that have been enacted or substantively enacted as at balance date. This is adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences and to unused tax losses.

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

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

2 Summary of significant accounting policies (continued)

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

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

(d) GST

Revenue, expenses and assets are recognised net of GST except to the extent that GST is not recoverable from the Inland Revenue. In these circumstances, GST is recognised as part of the expense or cost of the asset.

(e) Cash and cash equivalents

Cash and cash equivalents include deposits held on call with banks and other short term highly liquid investments with original maturities of three months or less.

(f) Financial assets and financial liabilities

Financial assets

The Company's financial assets comprise such items as cash and cash equivalents, short term deposits, related party receivables and sundry debtors.

(i) Financial assets at amortised cost

NZ IFRS 9 *Financial Instruments* has three classification categories for financial assets; amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification is based on the business model under which the financial asset is managed and its contractual cash flows. The Company applies the following policies for the classification categories under NZ IFRS 9:

Amortised cost – A financial asset will be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- 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 outstanding.

Cash and cash equivalents, related party receivables and sundry debtors are measured at amortised cost.

(ii) Financial assets at FVOCI

FVOCI – A financial asset will be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- 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 outstanding.

The Company had no assets in this category as at 30 June 2022 and 30 June 2021.

(iii) Financial assets at fair value

FVTPL – All financial assets that are not measured at amortised cost or FVOCI will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL.

In addition, the Company might also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Company has determined that an accounting mismatch is reduced if financial assets backing general insurance liabilities are measured at FVTPL. For these instruments, the Company has applied the option to designate these financial assets at FVTPL.

2 Summary of significant accounting policies (continued)

Short term deposits, which are held to back general insurance liabilities, have been designated as financial assets measured at FVTPL.

Purchases and sales of financial assets are recognised at trade date. Financial assets are derecognised when the rights to receive the cash flows have expired or the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities

Financial liabilities are recognised when an obligation arises.

The Company's financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

(g) Impairment of financial assets

Under the expected credit loss model the Company applies a three stage approach to measuring the expected credit loss (ECL) based on credit migration between the stages.

Stage 1: 12 month ECL - No significant increase in credit risk. Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition, a provision for ECL associated with the probability of default events occurring within the next 12 months (12 month ECL). For those financial assets with a remaining maturity of less than 12 months, a probability of default is used that corresponds to the remaining maturity.

Stage 2: Lifetime ECL - Significant increase in credit risk. In the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL).

Stage 3: Lifetime ECL - Defaulted. Financial instruments that move into Stage 3 once credit impaired and purchase of credit impaired assets will require a lifetime provision.

(h) Assets backing general insurance liabilities

As part of its investment strategy the Company actively manages its short term deposits to ensure that sufficient liquid funds are available to meet the expected pattern of future cash flows arising from general insurance liabilities.

The Company has determined that its short term deposits are held to back general insurance liabilities.

(i) Liability adequacy test

Liability adequacy testing is performed in order to recognise in the profit or loss any deficiencies arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts. The estimated future claims under current insurance contracts are measured using the present value of the expected cash flows relating to future claims and associated expenses (discounted using a risk free interest rate) plus an additional risk margin to reflect the inherent uncertainty of those estimated cash flows.

(j) Commission and acquisition costs

Due to the wind up of the Company, no acquisition costs were incurred in respect of the acquisition of general insurance contracts during the current or prior year and therefore no deferred acquisition costs are recognised as at 30 June 2022 and 30 June 2021.

(k) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the balance date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

2 Summary of significant accounting policies (continued)

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

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

The outstanding claims liability has been determined using the Bornhuetter-Ferguson (incurred claims) methodology (an actuarial method). It has been assumed that future incurred claims patterns will continue to follow observed historic patterns.

(l) Share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

Dividends on ordinary shares are recognised in equity in the year in which they are approved by the Company's directors.

(m) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at balance date.

(n) Offsetting

The Company does not apply offsetting. The Company does not have any material financial assets or financial liabilities which are subject to enforceable master netting arrangements or similar agreements.

3 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management also needs to exercise judgement in applying the Company’s accounting policies.

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.

While the specific areas of judgement as noted below did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19, changes to the estimates and outcomes that have been applied in the measurement of the Company’s assets and liabilities may arise in the future.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below.

3 Critical accounting estimates and judgements (continued)

Outstanding claims liability

The estimated costs of claims include direct expenses to be incurred in settling claims. IBNR claims may not be apparent to the Company until several months after the events. In calculating the estimated cost of unpaid claims, the Company used estimation techniques. Refer to note 15.

In addition, the COVID-19 pandemic has led to material structural shifts in the behaviour of the economy and customers, and unprecedented actions by governments and regulators in response. In determining the adequacy of outstanding claims liability at 30 June 2022, the Company has reviewed the assumptions in calculating the outstanding claims liability including policyholder behaviours and experience to date during COVID-19 and how those risks are managed. The Company did not experience a material change in the claims experience stemming from COVID-19 from 1 July 2021 to 30 June 2022.

Future claims liability

The Future claims liability includes an unearned premium reserve and 'grace period' reserve. The unearned premium reserve (UPR) is deferred premium income set aside to cover future claims liabilities. The UPR calculated for 30 June 2022 is based on the May 2022 billed premiums (final billing month for the Company) and is intended to cover estimated future claims to be settled. Policy holders would normally have a month to lodge claims with the Company, however they have been granted an additional six month 'grace period' to 31 December 2022 to do so. An additional reserve is being set aside to cover the estimated future claims during this grace period. Refer notes 10 and 11.

4 Insurance income

	30-Jun-22 $000	30-Jun-21 $000
Gross written premiums	**1,701**	3,052
Movement in unearned premiums (note 10)	**7**	24
	1,708	3,076
Additional grace period reserve (note 10)	**(44)**	-
Premium income	**1,664**	3,076

5 Commission cost expense

	30-Jun-22 $000	30-Jun-21 $000
Commission cost expense	**331**	466
	331	466

All commission costs are expensed when incurred.

6 Insurance claims and loss adjustment expenses

	30-Jun-22 $000	30-Jun-21 $000
Gross claims expense		
Risks borne in the current year	**108**	390
Reassessment of risks borne in previous periods	**4**	-
	112	390

7 Net underwriting result

	30-Jun-22 $000	30-Jun-21 $000
Analysis of insurance operating result		
Premium income	**1,664**	3,076
Gross claims expense	**(112)**	(390)
Commission cost expense	**(331)**	(466)
Net underwriting result	**1,221**	2,220

8 Income tax expense

	30-Jun-22 $000	30-Jun-21 $000
(a) Income tax expense		
Current tax	**296**	570
Total income tax expense	**296**	570
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**1,058**	2,036
Tax at the New Zealand tax rate of 28.0% (30 June 2021: 28.0%)	**296**	570

9 Outstanding claims liability

	30-Jun-22 $000	30-Jun-21 $000
(a) Outstanding claims liability		
Central estimate	**16**	83
Claims handling costs	**-**	19
	16	102
Risk margin	**17**	53
Gross outstanding claims liability	**33**	155
Gross claims incurred - undiscounted	**34**	156
Current	**33**	155

9 Outstanding claims liability

(b) Risk margin

Process for determining risk margin

The overall risk margins for both outstanding claims and liability adequacy testing have been determined using stochastic techniques allowing for diversification and having regard to the inherent variation observed in historical claims development. The risk margins for the portfolio are applied to the central estimates in order to arrive at an overall provision that is intended to provide a probability of sufficiency of 90% (30 June 2021: 90%).

A probability of sufficiency of 90% is required under the Solvency Standard for Non-life Insurance Business in Run-off 2014. Management has decided to adopt the same approach in the valuation of the outstanding claims liability within the financial statements.

	30-Jun-22 %	30-Jun-21 %
Risk margin applied in the valuation of the outstanding claims liability		
Overall risk margin	**108.5**	57.1

(c) Reconciliation of movement in outstanding claims liability

	30-Jun-22 $000	30-Jun-21 $000
Opening balance	**155**	309
Incurred claims recognised in profit or loss	**107**	390
Claims payments	**(229)**	(544)
Closing balance	**33**	155

(d) Claims development tables

Claims development tables have not been provided as claims are typically resolved within one year.

10 Future claims liability

	30-Jun-22 $000	30-Jun-21 $000
Opening balance	**113**	137
Premiums received	**1,701**	3,052
Earning of premiums	**(1,708)**	(3,076)
Unearned premium reserve	**106**	113
Additional grace period reserve	**44**	-
Closing balance	**150**	113
Current	**150**	113

11 Liability adequacy test

The liability adequacy test has identified a deficit for the Company's insurance contracts, and hence the need for an additional reserve to cover the six-month grace period to 31 December 2022, during which the Company will continue to settle eligible claims.

	30-Jun-22 $000	30-Jun-21 $000
Unearned premium reserve	**106**	113
Central estimate of present value of expected future cash flows arising from future claims on contracts issued	**67**	44
Risk margin 124.4% (30 June 2021: 105.1%)	**83**	36
Present value of expected future cash flows for future claims	**150**	80
Net (deficit)/surplus	**(44)**	33
Additional grace period reserve	**44**	-

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for is discussed in note 9 (b). As with outstanding claims, the overall risk margin is intended to achieve a 90% probability of adequacy (30 June 2021: 90%).

12 Share capital

	30-Jun-22 Shares 000	30-Jun-21 Shares 000	**30-Jun-22 $000**	30-Jun-21 $000
Ordinary shares fully paid	**3,500**	3,500	**3,500**	3,500

At 30 June 2022 the total number of authorised shares was 3.5 million (30 June 2021: 3.5 million) with no par value. All issued shares are fully paid.

Ordinary shares have no par value and entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

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.

13 Dividends

On 15 March 2021 a dividend of 48.6 cents per fully paid share amounting to $1,700,000 was paid.

On 11 October 2021 a dividend of 22.9 cents per fully paid share amounting to $800,000 was paid.

On 15 March 2022 a dividend of 12.9 cents per fully paid share amounting to $450,000 was paid.

14 Insurance contracts - risk management policies and procedures

The general insurance business of the Company involves a number of non-financial risks.

The risk management activities include prudent policy guidelines, pricing and management of risk, together with claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance and manage the risk profile of the insurance operations.

(a) Financial soundness

The Company ensures the financial soundness of its operations by: (i) maintaining a strong capital base to safeguard its ability to continue meeting all liabilities when due during the wind up of the Company and (ii) investing its assets in accordance with Board approved treasury policy. Refer also to Note 21 for further details in relation to capital risk management.

(b) Concentration of insurance risk

The Company has one class of business: Payment Protection Cover. Payment Protection Cover protects customers' ability to meet or partially meet their repayment of credit or loans if the customer faces circumstances that may prevent them from earning an income to service the debt. All insurance contracts have been cancelled with effect from 1 July 2022, with the final billing for insurance premiums taking place in May 2022. However, eligible claims that occur up to and including the 31 December 2022 will be covered by the relevant Repayment Insurance policy. The valuation of Premium Liabilities include expected claims over the coming 6 months.

(c) Insurance company rating

Rating	**30-Jun-22**	30-Jun-21
Insurer financial strength rating	B+(good)	B+(good)
Issuer credit rating	bbb-	bbb-
Ratings outlook	stable	stable

The outlook for both ratings is stable at 30 June 2022 and 30 June 2021.

(d) Licence

The Company holds a licence from the Reserve Bank of New Zealand to carry on non-life insurance business in New Zealand. The requirement to be licensed is a requirement of the Insurance (Prudential Supervision) Act 2010. The Company's amended licence conditions effective 1 October 2019 requires the Company to:

- Maintain a solvency margin of at least zero in accordance with the Solvency Standard for Non-life Insurance Business in Run-off 2014. The minimum amount of capital has been set as $3 million; and

- notify and receive approval from the Reserve Bank before entering into any new contracts of insurance in New Zealand.

The Company has complied with both above conditions.

15 Insurance - assumptions and methods

The insurance written by the Company is short tail in nature meaning that claims are typically settled within one year of being reported.

The cost of claims notified to the Company at the balance date are reflected in the outstanding claims liability.

Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liability.

	30-Jun-22	30-Jun-21
Average weighted term to settlement from balance date	**3.0 mths**	5.9 mths
Expense rate *	**0.0%**	23.4%
Risk margin	**108.5%**	57.1%

* humm (NZ) Limited has waived expense recharges from 1 July 2022 until the cessation of the Company.

Process used to determine assumptions

Average weighted term to settlement

The average weighted term to settlement is calculated based on historic settlement patterns.

The assumed loss ratio of 10% (30 June 2021: 10%) was determined by a consideration of observed ultimate loss ratios for earlier loss quarters. This process requires professional judgement due to variation from quarter to quarter due to the relatively small size of the portfolio.

Future incurred claims settlement patterns

The outstanding claims liability has been determined using the Bornhuetter-Ferguson (incurred claims) methodology. It has been assumed that future incurred claims settlement patterns will continue to follow observed historic patterns.

Expense rate

There will be no further expense recharges for expenses incurred, and therefore there is no claims handling expense loading for future claims to be settled. Claims handling expenses were previously calculated by reference to past experience of claims handling costs,

Inflation and discount rates

For outstanding claims liabilities, the period between the valuation date and the settlement date of most claims is expected to be short and the increase in costs as a result of inflation is not likely to be material. The outstanding claims liabilities have been discounted for the time value of money using rates of 2.0% to 3.01% (30 June 2021: 0.25% to 0.4%).

Sensitivity analysis - insurance contracts

An increase/decrease of 10% in the key variables (average weighted term to settlement, assumed loss ratios, future incurred claims settlement patterns and expense rate) does not have a material impact on the Company's profit or equity.

16 Actuarial information

Craig Lough of Melville Jessup Weaver ("MJW"), a Fellow of the New Zealand Society of Actuaries, was appointed as the Actuary of Consumer Insurance Services Limited in accordance with the Insurance (Prudential Supervision) Act 2010.

An Insurance Liability Valuation Report effective 30 June 2022 was provided by MJW to the Company. Overall, the Actuary confirmed that he is satisfied with the nature, accuracy and sufficiency of the information provided to him to determine the outstanding claims liability.

The key assumptions used by the Actuary in determining the outstanding claims liability are included in note 9.

17 Imputation credits

The Company is a member of the FlexiGroup consolidated income tax group and can access imputation credits of the imputation group. The amount of imputation credits available to the Company as at 30 June 2022 is $94,825,966 (30 June 2021: $81,941,309).

18 Financial risk management

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest revenues may increase or decrease as a result of changes in market interest rates.

The Company is a controlled entity of humm Group Limited, which operates a group Asset and Liability Committee ("ALCO") that is responsible for managing interest rate risk in accordance with its charter and treasury risk management policies. In addition, the Company operates an Insurance Committee ("INSCO"), which along with ALCO, oversees the management of interest rate risk.

Cash flow sensitivity analysis

The following tables summarise the sensitivity of the Company's financial assets and financial liabilities held at reporting date to cash flow interest rate risk. The analysis demonstrates the impact of a +/- 100 basis point change in interest rates, with all other variables held constant, on the Company's after-tax profits and equity.

		Cash flow interest rate risk			
		-1%		+1%	
30 June 2022	Carrying amount $000	Profit after income tax expense $000	Equity $000	Profit after income tax expense $000	Equity $000
Financial assets					
Cash and cash equivalents	983	(7)	(7)	7	7
Short term deposits	3,000	(22)	(22)	22	22
Related party receivables	381	-	-	-	-
Other financial assets	28	-	-	-	-
Financial liabilities					
Payables	(36)	-	-	-	-
Related party payables	(192)	-	-	-	-
Total (decrease)/increase		(29)	(29)	29	29

		Cash flow interest rate risk			
		-1%		+1%	
30 June 2021	Carrying amount $000	Profit after income tax expense $000	Equity $000	Profit after income tax expense $000	Equity $000
Financial assets					
Cash and cash equivalents	2,240	(16)	(16)	16	16
Short term deposits	3,000	(22)	(22)	22	22
Related party receivables	394	-	-	-	-
Other financial assets	3	-	-	-	-
Financial liabilities					
Related party payables	(698)	-	-	-	-
Total (decrease)/increase		(38)	(38)	38	38

18 Financial risk management

No fair value sensitivity analysis has been disclosed due to the impact of reasonably possible changes in interest rates not being material as at 30 June 2022 and 30 June 2021.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations. It includes the risk that the Company may have insufficient liquid funds or may not be able to raise sufficient funds to meet its payment obligations. This situation can arise if there is a significant mismatch of its financial assets and financial liabilities.

ALCO oversees all aspects of balance sheet risk assessment and management, including liquidity risk. ALCO has a formal charter which outlines its role and responsibilities. All treasury related activity must comply with formal treasury risk management policies.

The Company manages liquidity risk by monitoring day to day funding requirements and balance sheet liquidity ratios.

Maturity analysis

The tables below present the Company's cash flows by remaining contractual maturities at balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Call	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years	Total
30 June 2022	$000	$000	$000	$000	$000	$000	$000
Financial assets							
Cash at bank	983	-	-	-	-	-	983
Short term deposits	-	3,000	-	-	-	-	3,000
Related party receivables	-	381	-	-	-	-	381
Other financial assets	-	28	-	-	-	-	28
	983	3,409	-	-	-	-	4,392
Financial liabilities							
Payables	-	(36)	-	-	-	-	(36)
Related party payables	-	(192)	-	-	-	-	(192)
	-	(228)	-	-	-	-	(228)

	Call	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years	Total
30 June 2021	$000	$000	$000	$000	$000	$000	$000
Financial assets							
Cash at bank	2,240	-	-	-	-	-	2,240
Short term deposits	-	3,000	-	-	-	-	3,000
Related party receivables	-	394	-	-	-	-	394
Other financial assets	-	3	-	-	-	-	3
	2,240	3,397	-	-	-	-	5,637
Financial liabilities							
Related party payables	-	(698)	-	-	-	-	(698)
	-	(698)	-	-	-	-	(698)

18 Financial risk management

The tables below analyse the Company's cash flows from insurance assets and insurance liabilities by expected maturities at balance date.

30 June 2022	Up to 6 months $000	Over 6 months and up to 1 year $000	Over 1 year and up to 2 years $000	Over 2 years and up to 5 years $000	Over 5 years $000	Total $000
Insurance liabilities						
Outstanding claims liability	33	-	-	-	-	33
Future claims liability	150	-	-	-	-	150
	183	-	-	-	-	183

30 June 2021	Up to 6 months $000	Over 6 months and up to 1 year $000	Over 1 year and up to 2 years $000	Over 2 years and up to 5 years $000	Over 5 years $000	Total $000
Insurance liabilities						
Outstanding claims liability	81	74	-	-	-	155
Future claims liability	113	-	-	-	-	113
	194	74	-	-	-	268

(c) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit exposures arise principally in relation to cash and cash equivalents and short term deposits held with other entities and related party receivables.

The Company is a controlled entity of FlexiGroup (New Zealand) Limited, which has a Credit Committee which oversees all aspects of credit risk assessment and management across the group. The Credit Committee operates within formal credit policies and guidelines approved by the Board.

Maximum exposure to credit risk before collateral held or other credit enhancements

	30-Jun-22 $000	30-Jun-21 $000
Cash and cash equivalents	**983**	2,240
Short term deposits	**3,000**	3,000
Related party receivables	**381**	394
Other financial assets	**28**	3
	4,392	5,637

The above table shows the maximum credit risk exposure at 30 June 2022 and 30 June 2021. No collateral is held by the Company for the assets listed in the table above. Cash and cash equivalents and short term deposits are held with two financial institutions (30 June 2021: 2). At balance date the two financial institutions have a long term credit rating of "AA-" from Standard & Poor's (30 June 2021: "AA-").

While the financial assets noted above are subject to the impairment requirements of NZ IFRS 9, the identified impairment allowances for expected credit losses was immaterial as the financial assets held are short term in nature and the counterparties have a strong capacity to meet their contractual obligations in the near term.

18 Financial risk management

(d) Fair value estimation

The carrying value of all financial assets and financial liabilities has been determined to be a reasonable approximation of their fair value, due to the short term nature of these financial instruments. In particular, the carrying values of cash and cash equivalents, short term deposits, related party receivables, sundry debtors, payables, and related party payables approximate their fair values.

(e) Foreign exchange risk

As at 30 June 2022 the Company had no foreign currency exposure (30 June 2021: $Nil).

(f) Other activities

The Company has no involvement in funds management, securitisation, custodial or trust activities.

(g) Financial instruments by category

	At fair value through profit or loss $000	At amortised cost $000	Total $000
At 30 June 2022			
Financial assets			
Cash and cash equivalents	-	983	983
Short term deposits	3,000	-	3,000
Related party receivables	-	381	381
Other financial assets	-	28	28
Total	3,000	1,392	4,392
Financial liabilities			
Payables	-	(36)	(36)
Related party payables	-	(192)	(192)
Total	-	(228)	(228)

At 30 June 2021	At fair value through profit or loss	At amortised cost	Total
Financial assets			
Cash and cash equivalents	-	2,240	2,240
Short term deposits	3,000	-	3,000
Related party receivables	-	394	394
Other financial assets	-	3	3
Total	3,000	2,637	5,637
Financial liabilities			
Related party payables	-	(698)	(698)
Total	-	(698)	(698)

19 Contingencies

There were no material contingent assets or liabilities at 30 June 2022 (30 June 2021: $Nil).

20 Related parties

(a) Parent entities

The Company is controlled by humm (NZ) Limited ("humm (NZ)"), a New Zealand company whose name was changed with effect from 31 May 2021 from Flexi Cards Limited, which in turn is a wholly owned subsidiary of FlexiGroup (New Zealand) Limited, a New Zealand company. FlexiGroup (New Zealand) Limited is a wholly owned subsidiary of Flexirent Capital Pty Limited, an Australian company.

(b) Directors

The names of persons who were directors of the Company at any time during the year ended 30 June 2022 were as follows: CM da Silva, P ter Brake, JH Murray, C Lamers and OM Meo.

Effective 3 September 2021, JH Murray ceased as a director of the Company.

Effective 2 December 2021, P ter Brake ceased as a director of the Company.

Effective 3 May 2022, C Lamers ceased as a director of the Company.

Effective 2 May 2022, OM Meo was appointed as a director of the Company.

(c) Key management and personnel compensation

Key management personnel are defined as being Directors and executives of the Company. Compensation to key management personnel for the year ended 30 June 2022 of $34,000 (year ended 30 June 2021: $34,000) was paid by humm (NZ) and reimbursed by the Company.

(d) Transactions with related parties

The related party balances are settled on a monthly basis, with no interest charged.

(i) Related party receivables comprise of:

	30-Jun-22 $000	30-Jun-21 $000
Receivable from		
- Other entities controlled by ultimate parent entity	**381**	394

(ii) Related party payables comprise of:

	30-Jun-22 $000	30-Jun-21 $000
- humm (NZ) Limited	**189**	695
- Other entities controlled by ultimate parent entity	**3**	3
	192	698

20 Related parties

(iii) *Other transactions*

Other transactions with related parties are shown below:

	30-Jun-22 $000	30-Jun-21 $000
Other transactions		
- Audit of financial statements - paid by humm (NZ)*	**25**	32
- Other assurance related services (assurance over solvency return) - paid by humm (NZ)*	**7**	7
Dividends paid to humm (NZ) (note 13)	**1,250**	1,700
Insurance premiums collected by entities controlled by the ultimate parent company	**1,701**	3,052
Insurance commissions paid to entities controlled by the ultimate parent company	**331**	466
Overheads recharged by humm (NZ)	**206**	186
Interest expense settled by humm (NZ) on behalf of the Company	**-**	23

*Audit and other assurance related services were performed by Ernst & Young, and for the year ended 30 June 2021 by PricewaterhouseCoopers.

humm (NZ)'s recharges for the period 1 July 2021 to 30 June 2022 were allocated based on services provided. Recharges were waived by humm (NZ) for the period 1 March 2020 to 31 August 2020 and resumed from 1 September 2020. Recharges waived for the two month period to 31 August 2020 amounted to approximately $80,000. Expense recharges have been waived from 1 July 2022 until the cessation of the Company.

The payment of insurance commissions were waived by entities controlled by humm (NZ) for the period 1 March 2020 to 31 August 2020 and resumed from 1 September 2020. Commissions costs waived for the two months to 31 August 2020 amounted to approximately $119,000. The final billing for insurance premiums by the Company was in May 2022, and as a result there will be no further insurance commission costs with effect from 1 June 2022.

The auditor (Ernst & Young) and prior year auditor (PricewaterhouseCoopers) also provided other services to FlexiGroup (New Zealand) Limited or other entities controlled by FlexiGroup (New Zealand) Limited which were relevant to the Company in part. These included tax compliance services, and tax pooling services. The fees in relation to these services totalled $2,625 (year ended 30 June 2021: $52,826) and were paid by FlexiGroup (New Zealand) Limited or other entities controlled by FlexiGroup (New Zealand) Limited.

21 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue meeting all liabilities when due during the planned wind up of the Company and to provide returns to its shareholder; and

- to maintain a strong capital base to support the development of its business.

The level of capital is determined by the Board taking into account the requirements of the Insurance (Prudential Supervision) Act 2010 and the Solvency Standard for Non-life Insurance Business in Run-off 2014, as well as internal policies.

The Solvency Standard for Non-life Insurance Business in Run-off 2014 requires a licensed insurer to:

- at all times, maintain a Solvency Margin as defined in the solvency standard. The Solvency Margin must always be a positive amount, and a licensed insurer must maintain Actual Solvency Capital in excess of the amount required to maintain this Solvency Margin;

- if a licensed insurer has reasonable grounds to believe that a failure to maintain a Solvency Margin is likely to occur at any time within the next three years, the licensed insurer must report the likely failure to the Reserve Bank of New Zealand as soon as is reasonably practicable; and

- maintain a probability of sufficiency of 90%.

The Company has complied with these minimum capital requirements during the periods reported.

21 Capital risk management

The tables below show the calculation of the solvency capital.

(a) Actual solvency capital

	30-Jun-22 $000	30-Jun-21 $000
Share capital	**3,500**	3,500
Retained earnings	**336**	824
Dividend declared post balance sheet	**-**	(800)
Total tier one capital	**3,836**	3,524

(b) Minimum solvency capital

	30-Jun-22 $000	30-Jun-21 $000
Minimum solvency capital required *	**3,000**	3,000
Solvency margin	**836**	524
Solvency ratio	**128%**	117%

* Minimum solvency capital is the greater of the sum of the capital charges or $3.0 million, as required by the Insurance (Prudential Supervision) Act 2010 and the Solvency Standard for Non-life Insurance Business in Run-off 2014.

22 Events occurring after the balance date

There have been no other material subsequent events after the balance sheet date.

Independent auditor's report to the shareholder of Consumer Insurance Services Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Consumer Insurance Services Limited (the "Company") on pages 4 to 26 which comprise the statement of financial position of the Company as at 30 June 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 26 present fairly, in all material respects, the financial position of the Company as at 30 June 2022 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 we have no relationship with, or interest in, the Company. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

Emphasis of Matter - Basis of Preparation of the Financial Statements

The financial statements have been prepared on a realisation basis as described in Note 1. This basis differs from the normal convention in that financial statements are usually prepared on the basis that the company will carry on business as a going concern. Under the realisation basis, the financial statements include adjustments to the net book value of assets, reducing them to the amounts expected to be realised, together with additional provisions and liabilities which will arise as a result of the company ceasing to trade. Note 11 outlines the adjustments to the Future Claims Liability required as a result of the company ceasing to trade.

Our opinion is not qualified in this respect.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Future Claims Liability

Why significant	How our audit addressed the key audit matter
Note 10 to the financial statements includes disclosure regarding the future claims liability. The future claims liability includes two components, the unearned premium reserve of $106,000 and an additional grace period reserve of $44,000. The measurement of the future claims liability requires assessment of the premium revenue to be deferred or recognised as performance obligations are fulfilled. In addition the company engages a third party actuary to assess the sufficiency of future claims liability at year end. As explained in note 14b to the financial statements, all insurance contracts have been cancelled with effect from 1 July 2022, with the final billing for insurance premiums taking place in May 2022. However, eligible claims that occur up to and including 31 December 2022 will be covered by the relevant Repayment Insurance policy. The valuation of the future claims liability therefore includes expected claims for the period to 31 December 2022. As a result the assessment of the future claims liability involves significant judgement and estimation.	Our procedures included: ► Obtaining confirmation of revenue billed in May from third parties. ► Confirming eligible claims may be made up until 31 December 2022, by considering correspondence provided to clients upon termination of their polices. ► Performing substantive analytical procedures in relation to the amount of revenue deferred as at 30 June 2022 and comparing this to the amount recorded in the financial statements. ► Involving our internal actuarial specialists in assessing the appropriateness of the actuarial methodologies applied, key assumptions used and sufficiency of liabilities assessed by the third party actuary. ► Considering the adequacy of the financial statements disclosures in relation to the future claims liability.

Other Matter

The financial statements of Consumer Insurance Services Limited for the year ended 30 June 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 7 October 2021.

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the annual report, which includes information other than the financial statements and auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon 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.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.
- Obtains 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 entities internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has 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 the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

Ernst + Young

Chartered Accountants
Auckland
1 November 2022