

Asteron Life Limited

Financial Report

for the financial year ended 30 June 2015



Asteron Life Limited

Financial report

for the financial year ended 30 June 2015

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Directors' report

The Board of Directors present the Directors' report together with the financial report of Asteron Life Limited (the **Company**) for the financial year ended 30 June 2015.

With the agreement of the shareholder, the Company has taken advantage of reporting concessions available to it under Section 211(3) of the Companies Act 1993.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Non-executive

G T Ricketts (Chairman)

E S Edgar

G E Summerhayes

Executive

N A Tereora

Registered office

Level 13, Asteron Centre

55 Featherston Street

Wellington 6011

New Zealand

Auditor

KPMG

18 Viaduct Harbour Avenue

Auckland 1140

New Zealand

Dividends

During the financial year, the Company paid dividends totalling \$64,700,000 (2014: \$23,500,000). Further details of dividends paid are set out in Note 3 to the financial statements.

Principal activities

The principal activities of the Company during the course of the financial year were the underwriting of life insurance and the administration of long term savings products. There has been no significant change in the nature of these activities during the year.

Review of operations

The Company recorded a net profit after tax for the year ended 30 June 2015 of \$47,315,000 compared with a net profit after tax of \$31,922,000 for the year ended 30 June 2014.

Events subsequent to reporting date

There is, at the date of this Report, no matter or circumstance that has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial periods;
- (b) the results of those operations in future financial periods; or
- (c) the Company's state of affairs in future financial periods.

Directors' report (continued)

Information on directors in office at the date of this report

Geoffrey T Ricketts CNZM

LLB (Hons), FlstD

Director since 1992. Mr Ricketts is a commercial lawyer, having been a partner at Russell McVeagh, Solicitors for over 25 years. He has extensive experience in New Zealand and Australia.

He is also a non-executive director of Suncorp Group Limited, the ultimate parent company of Asteron Life Limited, and a director of a number of other companies. He is Chairman of Vero Insurance New Zealand Limited and Vero Liability Insurance Limited (related companies of Asteron Life Limited), The Todd Corporation Limited and Heartland Bank Limited.

Sir Eion S Edgar KNZM

BCom, FACA, LL.D (Hon)

Director since 2012. Sir Eion has extensive corporate experience in New Zealand, with a strong background in investment, education, the arts, sport and philanthropy.

He is also a director of Vero Insurance New Zealand Limited and Vero Liability Insurance Limited. He is Chairman of Forsyth Barr Group Limited, Queenstown Resort College Limited and the Winter Games NZ Trust.

His previous roles have included Chairman of the New Zealand Stock Exchange, director of the Reserve Bank of New Zealand and the Accident Compensation Corporation, Chancellor of the University of Otago and Chairman of the Central Lakes Trust.

Sir Eion was also President of the New Zealand Olympic Committee and on his retirement was made Honorary President (for Life). He is a former National Business Review New Zealander of the Year, and Senior New Zealander of the Year, and was inducted into the New Zealand Business Hall of Fame in 2004.

Geoffrey E Summerhayes

B.Bus; GMQ AGSM

Mr Summerhayes is Chief Executive Officer of Suncorp Life. He leads a team of 1,000 employees across Australia and New Zealand distributing life insurance and superannuation products and services. Through his relentless focus on simplification, leadership and alignment, he has transformed Suncorp Life into a top tier life insurer in partnership with independent financial advisers through Asteron Life, and directly to customers through leading Suncorp brands - Suncorp, AAMI, GIO and Apia.

Mr Summerhayes is a founding member of the Suncorp Brighter Futures Community Giving Program, is a director of the Financial Services Council (FSC) in Australia and co-chairs the FSC's Life Board Committee.

Mr Summerhayes joined Suncorp in May 2008 in his current role following extensive experience in property and financial services experience at Lend Lease, MLC and NAB. Prior to joining Suncorp, he held senior executive roles in Distribution and Product Management in NAB's Business Bank, Strategy and Business Development both in Australia and across the Asia Region. Prior to that, he was Chief Executive Officer for MLC's Retail Investments division.

Nadine A Tereora

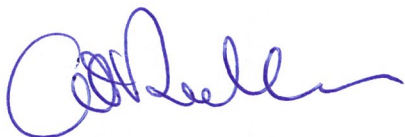
Director since 2014. Mrs Tereora is also the Managing Director of Asteron Life Limited and Executive General Manager of Suncorp Life New Zealand. She is an experienced executive with 20 years' experience in the financial services sector (Life and Fire & General), with specific strengths in claims and underwriting. Mrs Tereora is also a director of Suncorp Group New Zealand Limited, the shareholder of Asteron Life Limited, and certain other companies in the Suncorp Life New Zealand group.

Mrs Tereora joined Asteron Life Limited in September 2012. Prior to this, Mrs Tereora held a number of senior executive roles with other major insurers in New Zealand and Australia.

Directors' report (continued)

The financial report of the Company was approved for issue by the Board on 29 July 2015.

Signed in accordance with a resolution of the Directors.



Director
29 July 2015



Director
29 July 2015

Corporate governance statement

Introduction

Asteron Life Limited (the **Company**) is a New Zealand incorporated licensed life insurer which is wholly-owned by Suncorp Group New Zealand Limited. The ultimate New Zealand parent is Suncorp Group Services NZ Limited and the ultimate parent of this group is Suncorp Group Limited, an Australian public company which is listed on the Australian Securities Exchange.

This corporate governance statement contains an outline of the principal corporate governance practices, policies and processes that have been established by the Company.

Board of Directors

At the date of this Statement, the Board comprised two independent non-executive Directors (Geoffrey Ricketts and Sir Eion Edgar), a non-executive director who is also Chief Executive Officer of Suncorp Life in Australia (Geoffrey Summerhayes) and an executive Director who is the Executive General Manager of Suncorp Life New Zealand, which includes the Company (Nadine Tereora). Geoffrey Ricketts is the Chairman of the Board. Brief details of the Directors' qualifications and experience are set out in the Directors' Report.

The Board has adopted a Board Renewal Policy. Under this Policy, the Board is required to take into account a wide range of factors when considering an appointment to or the composition of, the Board. These factors include size, composition and diversity of the Board, mix of competencies, qualities and skills held by existing Directors and how the skills of a new Director may be utilised for the effective and prudent management of the Company and how the candidate's attributes will balance and complement the future requirements of the Board. Other key considerations include culture fit and an understanding of the business of the Company and the environment in which it operates. The Board considers it important to maintain an appropriate mix of long-serving Directors with established knowledge of the Company's business and corporate history, and new Directors who bring fresh perspectives to the Board. There is a Board-approved process for nominating and appointing Directors.

A Board skills matrix has been recently adopted in order to assist the Board to ensure that the composition of the Board remains appropriate. This will also be used as part of the annual Board performance evaluation process.

The Board of the Company has approved criteria for assessing the independence of its non-executive Directors. These criteria are used in conjunction with the Governance Guidelines issued by the Reserve Bank of New Zealand.

New Directors undergo an induction process and all Directors are expected to keep up to date with matters affecting the business of the Company, the Suncorp Group, the life insurance industry and their duties as Directors.

Each Director has met the requirements and criteria set out in the Board-approved Fit and Proper Policy and must complete an annual fit and proper declaration which is approved by the Board.

Duties and Responsibilities of the Board

The Board of Directors has overall responsibility for the performance of the Company. The Board has delegated the day-to-day operation and management of the business of the Company to the Executive General Manager.

Under the Company's constitution, each Director is required to act in the best interests of the Company. Matters covered by the constitution include the appointment and removal of Directors, the minimum number of Directors, the quorum for Board meetings, meeting procedures, Directors' interests, and Directors' remuneration and other benefits.

The Company is required to give priority to the interests of policyholders of life policies over the interests of the shareholder.

Corporate governance statement (continued)

Duties and Responsibilities of the Board (continued)

The Board has adopted a charter which contains the principles for the operation of the Board, a description of the functions and responsibilities of the Board and those functions that are delegated to management. Matters covered by this charter include Board composition, responsibilities of the Chairperson and individual Directors, conflicts of interest, Board meeting procedures and Board performance reviews. Provision is also made for the Board to delegate certain matters to committees. The Board is required to review its charter at least annually and the review for the current year has been completed.

Scheduled Board meetings are held on a quarterly basis. Otherwise, Board meetings are held as often as are deemed necessary by Directors to fulfil their duties and responsibilities. The Board approves an annual programme of work and this is used as a guide to the preparation of each scheduled Board meeting's agenda.

The Board approves the strategic direction of the Company and monitors executive management performance in the implementation and achievement of strategic and business objectives through the receipt of regular reports from management. Other matters that are approved or endorsed (as appropriate) by the Board include the Suncorp Life Risk Appetite Statement and Internal Capital Adequacy Assessment Process, dividend payments, financial statements and solvency returns, and major operating and capital expenditure which exceeds management's limits.

Governance

As the Company is part of the Suncorp Group, it complies with Suncorp Group's policies and requirements, except where these are inconsistent with New Zealand legal or regulatory requirements. Directors are also required to abide by Suncorp Group's Code of Conduct.

Board Audit and Risk Committee

In order to enable the Board to focus on strategy, planning and performance enhancement, the Board has delegated certain duties to its Board Audit and Risk Committee (**BARC**). The role of the BARC is to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to the oversight of the effectiveness of risk management strategies and internal controls across the Company. The terms of reference of the BARC are contained in a Board-approved BARC charter. All of the non-executive Directors of the Board are members of the BARC and the majority of members are independent. Sir Eion Edgar, an independent non-executive Director of the Company, has a finance and accounting background and chairs the BARC.

The BARC is required to meet not less than four times a year. The BARC approves an annual programme of work and this is used as a guide to the preparation of each BARC meeting agenda. The BARC receives regular reports from senior executives including the Chief Risk Officer and the Chief Financial Officer of the Company. Regular reports are also received from Suncorp Group Internal Audit (which provides independent and objective internal audit services to the Suncorp Group), and the Company's external auditor. Other attendees of BARC meetings include the Company's Executive General Manager and representatives from the Company's Risk and Finance functions, Suncorp Group Internal Audit, the Suncorp Group Chief Risk Officer, and the external auditor. The BARC reviews and makes recommendations to the Board on matters such as the Suncorp Life Risk Appetite Statement and Internal Capital Adequacy Assessment Process, investment strategy and mandate reviews, financial statements and solvency returns. The BARC regularly updates the Board on its activities and provides its minutes to the Board.

Under the terms of its charter, the BARC is required to undertake an annual assessment of its effectiveness in meeting the requirements of its charter. The results are reported to the Board. The BARC is also required to review its charter at least annually.

Information on the Company's approach to Risk Management is contained in Note 22.

Corporate governance statement (continued)

Corporate Social Responsibility

Brighter Futures is the Suncorp Group Community Giving programme that enables Suncorp Group employees to become involved, donate, fundraise and volunteer to make a difference to the causes close to their hearts. The mission of the programme is to make giving easier, more enjoyable and more accessible for our employees.

Our employees have the opportunity to take one day paid leave each year to support local community projects.

Brighter Futures Community Grants provide employees with the opportunity to nominate individuals, charities or local community organisations for funding. Seven New Zealand charities have benefited from grants in the last 12 months – including the Lighthouse Counselling Trust, Big Brothers Big Sisters, and the Youth Team Trust, to name a few.

Grants are awarded to those applications that demonstrate the greatest impact for communities and individuals in New Zealand and Australia, as determined by the Suncorp Brighter Futures Internal Advisory Panel. Grants of between \$1,000 and \$10,000 are available. The Brighter Futures Advisory Panel reviews applications twice a year and awards a minimum of \$200,000 in grants.

Our Dollar Matching programme will match the fundraising amounts of employees, up to \$500, to a registered charity in New Zealand or Australia.

The Company is part of Suncorp Life NZ which has also partnered with United Way to build Brighter Futures in our local communities. United Way is positioned as a 'neutral broker' to bring together community organisations, citizens and businesses to help overcome social issues. Staff are able to spend a day each year helping one of the local charities that are supported by United Way. Payroll giving and fundraising events are encouraged and Suncorp Life NZ provides annual sponsorship to United Way as part of this partnership.

Over 70 Suncorp Life NZ staff have spent time in their communities since the partnership with United Way was launched. Staff have spent time and effort making a difference at charities such as the Salvation Army and NZ Coastguard in Wellington and A Girl Called Hope and the Wilson Home in Auckland.



Independent auditor's report

To the shareholder of Asteron Life Limited

We have audited the accompanying financial statements of Asteron Life Limited ("the Company") on pages 11 to 62. The financial statements comprise the statement of financial position as at 30 June 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being 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.

Auditor's responsibility

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

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

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

Our firm has also provided other services to the Company in relation to other audit and assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.



Opinion

In our opinion, the financial statements on pages 11 to 62 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Asteron Life Limited as at 30 June 2015 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.

KPMG

29 July 2015
Auckland

**Statement of comprehensive income
for the financial year ended 30 June 2015**

	Note	2015	2014
		\$'000	\$'000
Premium revenue	5	195,183	179,561
Outwards reinsurance premium expense		(29,917)	(25,877)
Net premium revenue		165,266	153,684
Investment revenue	5	68,896	39,152
Other revenue	5	29	92
Net revenue		234,191	192,928
Claims expense	6	(104,236)	(95,128)
Reinsurance recoveries revenue	5	27,252	21,892
Net claims expense		(76,984)	(73,236)
Policy acquisition expenses	6	(60,272)	(61,621)
Policy maintenance expenses	6	(33,217)	(31,988)
Investment management expenses	6	(1,148)	(1,657)
Change in insurance contract liabilities	16.1	19,860	24,684
Change in policy liabilities ceded under reinsurance	16.1	804	(424)
Change in investment contract liabilities	16.1	(24,885)	(13,681)
Change in unvested policyholder liabilities	16.1	(1,540)	(2,416)
Total management expenses and policy liability movements		(100,398)	(87,103)
Net claims and expenses	6	(177,382)	(160,339)
Profit before tax		56,809	32,589
Income tax expense	7.1	(9,494)	(667)
Profit for the financial year attributable to owners of the Company	27	47,315	31,922
Other comprehensive loss			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial losses on defined benefit funds		(132)	(30)
Income tax credit/(expense)	7.1	125	(7)
Total other comprehensive loss		(7)	(37)
Total comprehensive income for the financial year attributable to owners of the Company		47,308	31,885

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

**Statement of financial position
as at 30 June 2015**

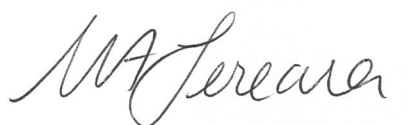
	Note	2015 \$'000	2014 \$'000
Assets			
Cash and cash equivalents		11,162	21,479
Trade and other receivables	8	11,610	11,855
Related party receivables	24	86	40
Other assets	8	2,809	8,873
Current tax receivable	7.4	6,775	12,289
Investment securities	9	604,210	573,528
Derivatives	10	2,152	13
Reinsurance recoveries receivable	11	34,776	32,036
Policyholder loans		6,339	7,265
Policy liabilities ceded under reinsurance	16.1	10,623	9,819
Loans and other receivables	8	54	195
Deferred tax assets	7.5	2,732	38,459
Employee defined benefit schemes surplus	13	1,019	848
Total assets		694,347	716,699
Liabilities			
Payables and other liabilities	12	11,925	10,001
Related party payables	24	5,204	9,535
Employee entitlements	13	3,256	2,602
Derivatives	10	184	7,303
Unearned premium liabilities	14	3,714	3,896
Outstanding claims liabilities	15	105,081	102,779
Policy liabilities	16.1	90,181	97,913
Deferred tax liabilities	7.5	95,121	86,107
Employee defined benefit schemes deficit	13	3,852	3,413
Total liabilities		318,518	323,549
Net assets		375,829	393,150
Equity			
Share capital	17	235,051	234,980
Retained profits		140,778	158,170
Total equity	27	375,829	393,150

The Board of Directors of Asteron Life Limited approved these financial statements for issue on 29 July 2015.

For, and on behalf of the Board



Director



Director

The statement of financial position is to be read in conjunction with the accompanying notes.

**Statement of changes in equity
for the financial year ended 30 June 2015**

	Note	Share Capital \$'000	Retained Profits \$'000	Total Equity \$'000
Balance as at 1 July 2013		234,943	149,785	384,728
Profit for the financial year	4	-	31,922	31,922
Total other comprehensive loss		-	(37)	(37)
Total comprehensive income for the financial year		-	31,885	31,885
Transactions with owners, recorded directly in equity				
Dividends paid	3	-	(23,500)	(23,500)
Share-based payments	17	37	-	37
Balance as at 30 June 2014		234,980	158,170	393,150
Profit for the financial year	4	-	47,315	47,315
Total other comprehensive loss		-	(7)	(7)
Total comprehensive income for the financial year		-	47,308	47,308
Transactions with owners, recorded directly in equity				
Dividends paid	3	-	(64,700)	(64,700)
Share-based payments	17	71	-	71
Balance as at 30 June 2015		235,051	140,778	375,829

The statement of changes in equity is to be read in conjunction with the accompanying notes.

Statement of cash flows
for the financial year ended 30 June 2015

	Note	2015	2014
		\$'000	\$'000
Cash flows from operating activities			
Premiums received		203,903	188,793
Reinsurance premiums paid		(29,956)	(27,184)
Policy payments		(124,774)	(110,967)
Reinsurance and other recoveries received		22,759	19,025
Operating expenses paid		(44,656)	(35,411)
Agents commission and bonuses paid		(53,915)	(55,114)
Equity distributions received		6,022	4,413
Interest received		26,421	24,895
Other revenue and fees received		29	92
Income tax received/(paid)*	7.4	40,887	(6,619)
Net cash from operating activities	20	46,720	1,923
Cash flows from investing activities			
Proceeds from the sale of investments		568,503	552,581
Purchase of investments		(561,907)	(523,389)
Repayments of policy loans		926	878
Advances of policy loans		-	(310)
Repayments of mortgage and other loans		141	322
Net cash from investing activities		7,663	30,082
Cash flows from financing activities			
Dividends paid	3	(64,700)	(23,500)
Net cash used in financing activities		(64,700)	(23,500)
Net (decrease)/increase in cash and cash equivalents		(10,317)	8,505
Cash and cash equivalents at the beginning of the financial year		21,479	12,974
Cash and cash equivalents at end of the financial year		11,162	21,479
Cash and cash equivalents consist of:			
Cash and cash equivalents		11,162	21,479
Cash and cash equivalents at end of the financial year		11,162	21,479

* Income tax paid includes cash flows from tax offsets within New Zealand group companies.

The statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Reporting entity

Asteron Life Limited (the **Company**) is a company incorporated and domiciled in New Zealand. Its registered office is at Level 13 Asteron Centre, 55 Featherston Street, Wellington and the head office is at 48 Shortland Street, Auckland.

The financial statements of the Company as at and for the financial year ended 30 June 2015 were issued by the Board of Directors on 29 July 2015.

The Company is a profit oriented entity in the business of underwriting life insurance and the administration of long term savings products within New Zealand.

The Company's parent entity is Suncorp Group New Zealand Limited, with Suncorp Group Limited, a company incorporated in Australia, being the ultimate parent entity. Suncorp Group Limited and its subsidiaries are referred to as the **Suncorp Group**.

2. Basis of preparation

The Company is a for-profit entity and the financial statements have been prepared on the historical cost basis unless the application of fair value measurements are required by the relevant accounting standards such as the measurement of financial assets at fair value through profit or loss, defined benefit schemes and other actuarially determined balances.

Significant accounting policies applied in the preparation of these financial statements are set out in Note 29. There have been no significant changes to accounting policies during the financial year.

The reporting period is from 1 July 2014 to 30 June 2015.

These financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. All values are rounded to the nearest thousand dollars (\$'000) unless stated otherwise.

The accompanying statement of financial position has been prepared using the liquidity format of presentation.

2.1 Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with New Zealand Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**). They comply with the New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**), and other applicable Financial Reporting Standards as appropriate for profit oriented entities. The Company is an FMC reporting entity for the purpose of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, Companies Act 1993, the Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010. They also comply with International Financial Reporting Standards (**IFRS**).

Notes to the financial statements (continued)

2.2 New or amended standards adopted during the financial year

NZ IFRS 4 Statutory Funds (Amendments to Appendix C of NZ IFRS 4) issued in April 2014 became effective for the current financial year. The revised standard requires life insurers to disclose solvency margins for each life fund, determined in accordance with the solvency standards issued under the Insurance (Prudential Supervision) Act 2010. It also requires disclosure of disaggregated information for each fund which is set out in Note 28. None of the other new accounting standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

NZ IAS 32 (Amendments) Disclosures—Offsetting Financial Assets and Financial Liabilities issued in February 2012 became effective for the current financial year and has been applied retrospectively. It clarifies the meaning of “currently has a legally enforceable right to set-off” and also clarifies the application of the NZ IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The adoption of this revised standard did not impact on the amounts recognised in the current period or any prior period.

NZ IFRS 7 (Amendments) Disclosures—Offsetting Financial Assets and Financial Liabilities issued in February 2012 became effective for the current financial year and has been applied retrospectively. The revised standard requires disclosure of new information in respect of the Company's use of enforceable netting arrangements and similar agreements, including the effects of financial collateral. These amendments require entities to disclose both gross and net amounts of recognised financial assets and liabilities associated with master netting and similar arrangements, whether or not they are presented net on the face of the statement of financial position. These disclosures enable users of financial statements to better evaluate the effect or potential effect of netting arrangements on the entity's financial position. The new information is disclosed in Note 21.4.

Other new reporting standards, amendments to standards and interpretations that became effective in the current financial year were not applicable to the Company or had no impact on these financial statements.

2.3 Comparative information

Certain amounts and presentations in the comparative information have been restated (or reclassified) to conform to changes in the current financial year. The material changes are detailed below:

a) Reclassifications

Deferred tax movements recognised on policy liabilities have been reclassified from change in net insurance contract liabilities to income tax expense in the statement of comprehensive income. The reclassification amounted to \$8,348,000 for the financial year ending 30 June 2014.

Where a right of offset exists, bank overdrafts have been reclassified from bank overdrafts to cash and cash equivalents in the statement of financial position. The reclassification amounted to \$661,000 for the financial year ending 30 June 2014.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below.

Notes to the financial statements (continued)

a) Uncertainty over valuation of life insurance policy liabilities

Policy liabilities arising from life insurance contracts are computed at each reporting date using statistical and mathematical methods. The valuations are prepared by suitably qualified personnel on the basis of recognised actuarial methods and with due regard to the actuarial principles laid down in actuarial standards and guidance. The methodology takes into account the risks and uncertainties of the particular classes of business written.

The key factors that affect the estimation of these liabilities are:

- The cost of providing benefits and administering these insurance contracts;
- Mortality and morbidity experience on individual and group life insurance products; including enhancements to benefits of policyholders and other amounts arising from regulatory interventions;
- Persistency experience, which affects the company's ability to recover the cost of acquiring new business over the lives of the contracts;
- In addition, factors such as competition, interest rates, taxes, the performance of the capital markets and general economic conditions affect the level of these liabilities.

The uncertainties surrounding these assumptions means that it is likely that the actual observed claims incidence will vary from the liability estimated at the reporting date.

Details regarding actuarial estimates and judgements are detailed in Note 16.3.

b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the company may not receive amounts due to it and these amounts can be reliably measured. Impairment is measured as the difference between the carrying amount and present value of estimated future cash flows.

Notes to the financial statements (continued)

3. Dividends

	2015		2014	
	¢ per share	\$'000	¢ per share	\$'000
Ordinary shares				
Dividends paid	39.9	64,700	14.5	23,500
Total dividends recognised in equity	39.9	64,700	14.5	23,500

4. Sources of operating profit

	2015	2014
	\$'000	\$'000
Profit for the financial year arose from:		
Planned margins of revenues over expenses released	32,594	28,304
Difference between actual and assumed experience	(1,505)	(2,701)
Investment earnings on assets in excess of policy holder liabilities	16,226	6,319
Profit for the financial year	47,315	31,922

The movement in the policyholder liabilities during the year includes an allocation of \$1.7 million (2014: \$2.8 million) to policyholders of participating policies.

5. Revenue

	2015	2014
	\$'000	\$'000
Insurance income		
Premiums received or receivable	203,725	188,942
Premiums recognised as a change in gross policy liabilities (Note 16.1)	(8,542)	(9,381)
Premium revenue	195,183	179,561
Reinsurance recoveries revenue	27,252	21,892
Total insurance revenue	222,435	201,453
Investment income		
Interest income:		
Interest bearing securities	19,945	22,064
Other	412	2,700
Dividends	5,960	4,362
Changes in fair value of financial assets:		
Investments	33,257	13,156
Derivatives - realised and unrealised gains/(losses)	9,322	(3,130)
Investment revenue	68,896	39,152
Other revenue	29	92
Total revenue	291,360	240,697

Premiums recognised as a change in policy liabilities pertain to the component of premium that relate to life investment contracts.

Notes to the financial statements (continued)

6. Net claims and expenses

	2015	2014
	\$'000	\$'000
Claims expenses		
Death and terminal illness	58,225	48,718
Disability	32,737	32,772
Annuities	1,526	1,615
Maturities	6,618	8,010
Surrenders and withdrawals	27,638	29,659
Claims handling expenses	331	385
Gross claims expenses	127,075	121,159
Less: Savings product claims disclosed as a change in policy liabilities (Note 16.1)	(22,839)	(26,031)
Total claims expense	104,236	95,128
Reinsurance recoveries	(27,252)	(21,892)
Net claims expense	76,984	73,236
Acquisition expenses		
Management expenses	21,515	19,515
Commission expenses	38,757	42,106
Total acquisition expenses	60,272	61,621
Maintenance expenses		
Management expenses	18,025	18,896
Commission expenses	15,192	13,092
Total maintenance expenses	33,217	31,988
Investment management expenses	1,148	1,657
Change in unvested policy liabilities (Note 16.1)	1,540	2,416
Change in insurance policy liabilities (Note 16.1)	(19,860)	(24,684)
Change in policy liabilities ceded under reinsurance (Note 16.1)	(804)	424
Change in investment contract liability benefits (Note 16.1)	24,885	13,681
Net claims and expenses	177,382	160,339
Included within net claims and expenses are the following specific items:		
Contributions to defined contribution superannuation schemes	745	595
Employee benefits	19,713	19,589
Movement in provision for bad and doubtful debts (Note 8)	(85)	(107)
Operating lease rental expenses	1,588	1,682

Notes to the financial statements (continued)

7. Income tax

7.1 Income tax expense

	2015	2014
	\$'000	\$'000
Profit before tax	56,809	32,589
Prima facie income tax @ 28% (2014: 28%)	15,907	9,125
Movement in income tax expense/(benefit) due to:		
Difference due to life insurance tax basis	637	(3,192)
Non-taxable gains on revaluation of financial assets	(6,033)	(2,686)
Non-deductible expenditure	33	33
Gross up of fully imputed dividend income	61	336
Imputation credits	(1,177)	(704)
Other	(222)	(457)
Adjustment for prior years	288	(1,788)
Income tax expense	9,494	667
Income tax expense recognised in profit consists of:		
Current tax expense		
Current year	(35,789)	4,131
Adjustments for prior year	416	(1,852)
Total current tax	(35,373)	2,279
Deferred tax benefit		
Current year	44,995	(1,676)
Adjustment for prior year	(128)	64
Total deferred tax	44,867	(1,612)
Income tax expense	9,494	667
Income tax expense recognised in other comprehensive income		
Income tax expense on actuarial gains on defined benefit funds	(125)	7

7.2 Imputation credits

	2015	2014
	\$'000	\$'000
SGHNZ ICA Group	111,084	90,044
Imputation credits available for use in subsequent reporting periods	111,084	90,044

The Company became a member of the Suncorp Group Holdings (NZ) Limited (**SGHNZL ICA Group**) with an effect from 1 April 2010. The Company, along with the other members of the SGHNZL ICA Group have access to the accumulated imputation credits contained within this SGHNZL ICA Group.

7.3 Policyholders' credit account

	2015	2014
	\$'000	\$'000
Balance at the beginning of the financial year	28,021	20,641
Tax paid	6,947	6,622
Imputation credits attached to dividends received	965	758
Balance at the end of the financial year	35,933	28,021

Notes to the financial statements (continued)

7.4 Current tax

	2015	2014
	\$'000	\$'000
Balance at the beginning of the financial year	12,289	7,949
Income tax paid	7,053	6,619
Current year tax on operating profit	35,789	(4,131)
Adjustment for prior year	(416)	1,852
Transfers between Group companies	(47,940)	-
Balance at the end of the financial year	6,775	12,289

7.5 Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax asset/(liability) is detailed below:

	2015	2014
	\$'000	\$'000
Deferred tax assets are attributable to:		
Investments	-	2
Depreciable and amortisable assets	11	18
Trade creditors and other payables	2,721	2,317
Deferred tax losses carried forward	-	36,122
Total deferred tax assets	2,732	38,459
Deferred tax liabilities are attributable to:		
Deferred tax in policyholder liabilities (Note 16.2)	(95,113)	(86,081)
Investments	(8)	(26)
Total deferred tax liabilities	(95,121)	(86,107)
Net deferred tax liability	(92,389)	(47,648)
Expected to crystallise within 12 months	2,724	1,421
Expected to crystallise in greater than 12 months	-	37,012
Policyholder liabilities	(95,113)	(86,081)
Net deferred tax liability	(92,389)	(47,648)
Movements		
Deferred tax assets		
Balance at the beginning of the financial year	38,459	28,499
(Charged)/credited to profit or loss	(35,852)	9,960
Recognised in other comprehensive income	125	-
Balance at the end of the financial year	2,732	38,459
Deferred tax liabilities		
Balance at the beginning of the financial year	(86,107)	(77,752)
Charged to profit or loss	(9,014)	(8,348)
Recognised in other comprehensive income	-	(7)
Balance at the end of the financial year	(95,121)	(86,107)

7.6 Tax losses carried forward

Tax losses of \$47,940,000 for which consideration was received were offset with other New Zealand group companies during the financial year, refer to Note 24.2. As at 30 June 2015 tax losses of nil (2014: \$4,928,000) were recognised in current tax assets on the basis that they will be offset with other New Zealand group companies.

Notes to the financial statements (continued)

7.7 Deferred tax on policy liabilities

Life insurance policy liabilities represent the net present value of estimated future cash flows and planned profit margins. Using the margin on services methodology, planned after tax profit margins are recognised in the statement of comprehensive income over the period services are provided to policyholders. Life insurance companies are not taxed on pre-tax net holding profit. They are taxed on both the business activity of the life insurer base and the growth and value of the policyholders' investments.

Taxable temporary differences, largely in respect of deferred acquisition costs, embedded within policy liabilities, which can be reliably measured, have been recognised and disclosed separately from the underlying policy liabilities.

8. Receivables

	2015	2014
	\$'000	\$'000
Trade and other receivables		
Premiums due	915	896
Trade receivables	1,028	2,639
Amounts due from reinsurers	9,599	7,846
Other receivables	563	884
Provision for bad and doubtful debts	(495)	(410)
Total trade and other receivables	11,610	11,855
Other assets		
Accrued income	2,705	2,985
Prepaid expenses	104	198
Collateral provided for derivatives	-	5,690
Total other assets	2,809	8,873
Loans and other receivables		
Other loans	54	195
Loans and other receivables	54	195
Total receivables	14,473	20,923
Current	14,044	20,514
Non-current	429	409
Total receivables	14,473	20,923
Movements in for provision for bad and doubtful debts		
Balance at the beginning of the financial year	(410)	(303)
Provision increase during the financial year	(85)	(107)
Balance at the end of the financial year	(495)	(410)

9. Investment securities

	2015	2014
	\$'000	\$'000
Financial assets at fair value through profit or loss		
<i>Interest bearing securities</i>		
Debentures and corporate bonds	148,057	136,708
Government and semi-government securities	84,430	92,046
Discounted securities	96,650	140,100
Total interest bearing securities	329,137	368,854
Equities	13,741	15,739
Unit trusts	261,332	188,935
Total investment securities	604,210	573,528

Notes to the financial statements (continued)

10. Derivative financial instruments

	2015			2014		
	Notional value \$'000	Fair value		Notional value \$'000	Fair value	
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000
Forward foreign exchange contracts	728	-	184	1,799	13	-
Interest rate swaps	131,000	2,152	-	131,000	-	7,303
Total derivative exposures	131,728	2,152	184	132,799	13	7,303

The interest rate swap contracts with a notional value of \$41,000,000 and \$90,000,000 were entered into with Bank of New Zealand and Westpac Banking Corporation respectively (2014: \$41,000,000 and \$90,000,000). The Standard and Poors credit ratings of both counterparties as at balance date were AA-.

11. Reinsurance recoveries receivable

	2015	2014
	\$'000	\$'000
Reinsurance recoveries receivable	34,776	32,036
Current	5,252	4,718
Non-current	29,524	27,318
Total reinsurance recoveries receivable	34,776	32,036

12. Payables and other liabilities

	2015	2014
	\$'000	\$'000
Trade creditors and accruals	9,833	7,846
Amounts due to reinsurers	1,759	1,804
Other creditors	333	351
Total payables and other liabilities	11,925	10,001
Current	11,925	10,001
Total payables and other liabilities	11,925	10,001

13. Employee benefit obligations

	2015	2014
	\$'000	\$'000
Employee entitlements	3,256	2,602
Employee defined benefit scheme surplus	1,019	848
Employee defined benefit scheme deficit	(3,852)	(3,413)
Net employee defined benefit scheme liability	2,833	2,565
Total net employee benefit obligations	6,089	5,167
Current	3,256	2,602
Non-current	2,833	2,565
Total employee entitlements	6,089	5,167

Notes to the financial statements (continued)

13.1 Defined benefit superannuation funds

The Company participates in two defined benefit superannuation funds which provide benefits to members on retirement, disability or death. All defined benefit funds are now closed to new members, with new employees now being offered membership of a defined contribution fund.

The following table summarises the surplus or deficit position for each defined benefit scheme.

	2015			2014		
	Surplus \$'000	Deficit \$'000	Net \$'000	Surplus \$'000	Deficit \$'000	Net \$'000
Vero & Asteron New Zealand Staff Pension Scheme	-	(3,852)	(3,852)	-	(3,413)	(3,413)
Guardian Assurance Superannuation Plan	1,019	-	1,019	848	-	848
Total net defined benefit liability	1,019	(3,852)	(2,833)	848	(3,413)	(2,565)

The characteristics of the defined benefit funds and their associated risks are summarised as follows:

- Members receive regular pension payments or deferred pension payments. The amount of pension payable upon retirement of active members is determined based on final pensionable salary and pensionable service. Partial or full commutation of the pension may be allowed.
- The Financial Markets Conduct Act 2013 (which is transitioning to replace the Superannuation Schemes Act 1989) governs the superannuation industry and provides the framework within which superannuation schemes operate. The Act requires an actuarial valuation to be performed for each defined benefit superannuation scheme at least every three years.
- The Trustees of each scheme are responsible for the governance of the scheme. The Trustees have a legal obligation to act solely in the best interests of fund beneficiaries. The Trustees have the following roles:
 - Administration of the fund and payment to the beneficiaries from scheme assets when required in accordance with the scheme rules;
 - Management and investment of the scheme assets; and
 - Compliance with superannuation law and other applicable regulations.
- The Financial Markets Authority licenses and supervises regulated superannuation schemes.
- There are a number of risks to which each scheme exposes the Company. The more significant risks relating to the defined benefits are:
 - Investment risk – The risk that investment returns will be lower than assumed and the Company will need to increase contributions to offset this shortfall.
 - Mortality risk – The risk that the members of the scheme will live longer than assumed, increasing the number of pension payments and thereby requiring additional company contributions.
 - Legislative risk – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.
- Other Suncorp Group entities participate in the funds, the amounts included in these financial statements relate to the Company's share in relation to the members that are attributable to the Company. The Company is not liable for any deficits or contributions attributable to other Suncorp Group entities.
- There were no fund amendments, settlements or curtailments during the year.

Notes to the financial statements (continued)

a) Present value of superannuation commitments

	2015	2014
	\$'000	\$'000
Fair value of fund assets at the end of the financial year	37,517	35,557
Defined benefit obligations at the end of the financial year	(35,635)	(33,517)
Asset ceiling	(3,780)	(3,759)
Adjustments for contributions tax	(935)	(846)
Net liability recognised in the statement of financial position	(2,833)	(2,565)

The values of assets and liabilities shown above are the combined values of the two funds.

b) Reconciliation of movements

	2015	2014
	\$'000	\$'000
Changes in the fair value of plan assets		
Balance at the beginning of the financial year	35,557	34,931
Interest income	1,546	1,508
Actual return on plan assets less interest income	2,761	1,483
Contributions by Company	164	87
Benefits paid	(2,455)	(2,398)
Premiums and expenses paid	(56)	(54)
Balance at the end of the financial year	37,517	35,557
Changes in the present value of defined benefit fund obligations		
Balance at the beginning of the financial year	(33,517)	(33,711)
Current service cost	(177)	(218)
Interest expense	(1,456)	(1,459)
Actuarial (loss)/gains arising from changes in financial assumptions	(2,412)	48
Actuarial losses arising from liability experience	(584)	(629)
Benefits paid	2,455	2,398
Premiums and expenses paid	56	54
Balance at the end of the financial year	(35,635)	(33,517)
Effect of the asset ceiling		
Balance at the beginning of the financial year	(3,759)	(2,717)
Interest on effect of asset ceiling	(168)	(120)
Change in effect of asset ceiling (excluding interest)	147	(922)
Balance at the end of the financial year	(3,780)	(3,759)

Notes to the financial statements (continued)

c) Categories of plan assets

	2015	2014
	%	%
Major categories of plan assets as a percentage of total fund assets		
Equity	47.9	47.9
Fixed income	44.9	44.8
Other	2.3	2.4
Cash	4.9	4.9
	100.0	100.0

The table above reflects the aggregate assets of the two defined benefit plans the Company participates in.

A review of the strategic asset allocation is undertaken every two years with the last review being completed in November 2013. The strategic asset allocation is implemented via investment mandates with external fund managers which sets a target weighting across asset classes to ensure appropriate asset-liability matching as well as benchmark return objectives.

d) Principal actuarial assumptions

The principal assumptions used in determining the accounting valuation of the defined benefit plans are as follows:

	2015	2014
	%	%
Discount rate	3.8	4.5 - 4.7
Future salary increases	3.0	3.5

Mortality assumptions are based on the New Zealand Life Tables 2010-2012 with a one year age setback and an age related future mortality improvement scale, starting from 2011 (the mid-point of the period on which the base Life Table was produced). A one year offset is used to reflect the lower mortality expected of pensioners relative to the overall New Zealand population.

The weighted average duration (in years) of each of the defined benefit funds obligation is:

	2015	2014
Vero & Asteron New Zealand Staff Pension Scheme	13	13
Guardian Assurance Superannuation Plan	11	10

e) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding all other assumptions constant, would have affected the aggregate defined benefit obligation by the amounts shown below:

	2015	2015
	Increase	Decrease
	\$'000	\$'000
Discount rate movement (100 basis points)	(3,237)	3,856
Future salary increases (100 basis points)	57	(57)
One year movement in life expectancy	1,356	(1,352)

Notes to the financial statements (continued)

f) Funding

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The funding requirements are based on an actuarial valuation performed for each defined benefit superannuation fund at least once every three years. The actuarial valuations for funding purposes prepared under applicable actuarial standards are different to the actuarial valuations prepared in accordance with accounting standards. Assumptions used in actuarial valuations for funding purposes may also be different to those described in the section above.

Actuarial recommendations of the employer contribution rates are:

Vero & Asteron New Zealand Staff Pension Scheme	20% of pensionable salaries plus attributable share of \$950,000
Guardian Assurance Superannuation Plan	Nil

For the Vero & Asteron New Zealand Staff Pension Scheme other Suncorp Group entities participate in the plan. The Company's share of the \$950,000 lump sum is apportioned based on the members in the scheme attributable to Company.

The Company intends to contribute \$242,000 to the defined benefit funds in the financial year ending 30 June 2016 in line with the actuaries' latest recommendations.

13.2 Share-based payments

The Company is a wholly owned subsidiary of Suncorp Group Limited (**SGL**). Eligible employees of the Company have the right to participate in the Suncorp Group Limited share plans. Shares offered in these share plans are granted by SGL over its own shares to employees of SGL subsidiaries.

Long-term incentives (performance rights)

Long-term incentives (**LTI**) are performance rights granted to eligible executives. These are equity-settled and in limited circumstances cash-settled at the SGL Board's discretion. The SGL Board determines the value of shares granted (offered) based on the executive's remuneration and individual performance. Vested shares carry full entitlement to dividend from the grant date (less any taxes paid by the plan trustee in respect of such dividends).

Vesting of LTI is subject to performance hurdles and service conditions being met during the performance period. The performance hurdle is based on the SGL's total shareholder returns (**TSR**) against the TSR of a peer comparator group, which is the top 50 industrial companies by market capitalisation in the S&P/ASX 100 (excluding mining companies and listed property trusts). Generally, the performance period commences on the grant date for a three year period. For LTI granted on or prior to 3 May 2010, the performance period may be extended for a further two years. The percentage of performance rights that will vest is based on the LTI vesting schedule. No LTI will vest unless SGL achieves a relative TSR of 50th percentile (median) or above. Any performance rights not vested at the end of the performance period are forfeited.

The expense included in the profit or loss in relation to LTI for the financial year ended 30 June 2015 for the Company was \$47,000 (2014: \$28,000).

Notes to the financial statements (continued)

13.2 Share-based payments (continued)

SGL operates other equity-settled share plans that are not subject to performance conditions. Key features are set out below:

Equity plans	Restricted shares	Suncorp Employee Share plan (tax exempt)
Eligible plan participant	Employees in senior roles below executive level that satisfy the eligibility criteria.	Employees not eligible for LTI awards.
Basis of share grant / issue	Value of restricted shares granted (offered) is determined by the Board based on the employee's remuneration and individual performance.	Market value of shares up to AUD \$1,000 per employee per year may be granted by the Board based on the Suncorp Group's overall performance.
Vesting	Subject to remaining in employment with the Suncorp Group until the vesting date and not having given notice of intention to resign.	Fully vested, not subject to forfeiture.
Dividend entitlements	Full entitlement from when the shares are allocated to the participating employee and held in the Plan.	Full entitlement to dividend from when the shares are acquired and held in the Plan.
Fair value	Discounted cash flow model incorporating the expected share price at vesting date and expected dividends entitlements, discounted from the vesting date to the grant date.	Market value of the shares on the date they were acquired.

The expense included in the profit or loss in relation to restricted shares for the financial year ended 30 June 2015 for the Company was \$24,000 (2014: \$9,000). The expense included in the profit or loss in relation to the Suncorp Employee Share plan for the financial year ended 30 June 2015 for the Company was \$172,000 (2014: \$173,000).

The SGL Board approved a grant to each eligible employee ordinary shares of SGL to the value of AUD \$1,000 (2014: AUD \$1,000) under the Suncorp Employee Share Plan (tax exempt) for the financial year. These shares will be acquired on-market for allocation to employees by the share plan in October 2015 (2014: October 2014).

14. Unearned premium liabilities

	2015	2014
	\$'000	\$'000
Unearned premium liabilities	3,714	3,896
Current	3,714	3,896
Total unearned premium liabilities	3,714	3,896

Notes to the financial statements (continued)

15. Outstanding claims liabilities

	2015	2014
	\$'000	\$'000
Outstanding claims liabilities	105,081	102,779
Current	32,026	34,875
Non-current	73,055	67,904
Total outstanding claims liabilities	105,081	102,779

16. Life policy liabilities

16.1 Net policy liabilities

The following table shows the movements in net life insurance and investment contract liabilities.

	Liability				Asset	Net
	Insurance contracts	Investment contracts	Unvested policyholders benefit	Total gross policy liabilities	Gross policies ceded under reinsurance	Net policy liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2013	(114,691)	217,558	20,283	123,150	10,243	112,907
Movement in policy liabilities reflected in profit or loss	(24,684)	13,681	-	(11,003)	(424)	(10,579)
Contributions and premiums recognised in policy liabilities	-	9,381	-	9,381	-	9,381
Withdrawals and claims expense recognised in policy liabilities	-	(26,031)	-	(26,031)	-	(26,031)
Movement in unvested policy holder benefits	-	-	2,416	2,416	-	2,416
Balance as at 30 June 2014	(139,375)	214,589	22,699	97,913	9,819	88,094
Current	(21,192)	-	-	(21,192)	4,812	(26,004)
Non-current	(118,183)	-	22,699	(95,484)	5,007	(100,491)
Investment contract	-	214,589	-	214,589	-	214,589
Balance as at 30 June 2014	(139,375)	214,589	22,699	97,913	9,819	88,094
Movement in policy liabilities reflected in profit or loss	(19,860)	24,885	-	5,025	804	4,221
Contributions and premiums recognised in policy liabilities	-	8,542	-	8,542	-	8,542
Withdrawals and claims expense recognised in policy liabilities	-	(22,839)	-	(22,839)	-	(22,839)
Movement in unvested policy holder benefits	-	-	1,540	1,540	-	1,540
Balance as at 30 June 2015	(159,235)	225,177	24,239	90,181	10,623	79,558
Current	(17,332)	-	-	(17,332)	5,802	(23,134)
Non-current	(141,903)	-	24,239	(117,664)	4,821	(122,485)
Investment contract	-	225,177	-	225,177	-	225,177
Balance as at 30 June 2015	(159,235)	225,177	24,239	90,181	10,623	79,558

Notes to the financial statements (continued)

16.2 Components of life insurance contract liabilities

	Note	2015 \$'000	2014 \$'000
Best estimate liability			
Value of future policy benefits ¹		997,531	953,568
Value of future expenses		616,172	560,354
Balance of future premiums		(1,983,866)	(1,852,989)
Total best estimate liability		(370,163)	(339,067)
Value of future profits			
Policyholder bonuses ²		4,562	5,315
Shareholder profit margins		290,856	270,639
Total value of future profits		295,418	275,954
Deferred tax liability in policyholder liabilities	7.5	(95,113)	(86,081)
Net insurance policy liabilities net of deferred tax		(169,858)	(149,194)
Life insurance reinsurance ceded		10,623	9,819
Gross insurance contract policy liabilities		(159,235)	(139,375)
Policy liabilities subject to capital guarantee		12,409	13,173

Notes

1. Future policy benefits include bonuses vested in policy owners in current and prior periods.
2. Future bonuses exclude current period bonuses.

16.3 Actuarial policies and methods for the life insurance business

a) Life liability estimation process

The effective date of the actuarial valuation of policy liabilities and solvency requirements is 30 June 2015. The actuarial valuation was prepared by Mr Daniel Wong, Appointed Actuary, FIAA FNZSA. The Appointed Actuary is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

Policy liabilities for life insurance contracts are amounts which, when taken together with future premiums and investment earnings are required to meet the payment of future benefits and expenses, and incorporate profit margins on existing business to be released when earned in future periods.

Policy liabilities for life investment contracts are determined as the fair value of the financial instrument.

b) Disclosure of assumptions

The valuations included in the reported results are calculated using assumptions about certain key underlying variables. The assumptions are determined by the Appointed Actuary based on the results of annual investigations into the experience of the Company's in force business, industry experience data and data provided by the Company's reinsurers.

Policy liabilities have been calculated in accordance with Professional Standard No. 20, "Determination of Life Insurance Policy Liabilities" issued by the New Zealand Society of Actuaries.

The actuarial standards require the policy liabilities for life insurance contracts to be calculated in a way which allows for the systematic release of planned margins as services are provided to policy owners. Policy liabilities for investment contracts are calculated as the fair value of the liability.

Notes to the financial statements (continued)

b) Disclosure of assumptions (continued)

The profit carriers used and the method of valuation applied for the major product groups in order to achieve the systematic release of planned margins are as follows:

Business type	Method	Profit carrier
Lump sum risk business	Projection	Premiums
Disability income business	Projection	Premiums
Traditional non-participating business	Projection	Claims payments
Traditional participating business	Projection	Bonuses
Annuity	Projection	Annuity payments

Discount Rates

Where the value of benefits under a life insurance contract is not contractually linked to the performance of the assets held, risk-free discount rates derived from the government bond curve are used to determine the present value of the liabilities. A discount rate based on the market return on the backing assets is applied where the value of benefits are contractually linked to the performance of the assets.

The risk free discount rates (before tax) applied for all life insurance business, with the exception of contracts with discretionary participating features, vary between 2.97% and 5.52% (2014: 3.63% - 5.01%).

The discount rate for business with discretionary participating features is based on the market yield on backing assets. This yield was 4.4% (2014: 5.3%) gross of tax and investment expenses.

Inflation

Allowance for future inflation of 2.3% per annum (2014: 2.5%) is assumed. This level is consistent with long term expectations.

Future expenses and indexation

Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies to the actual assets backing the liabilities. Future maintenance expenses per policy have been assumed at current levels increased by the rate of inflation set out above. For contracts which provide for the increase of future benefits in line with inflation, the benefit indexation rate has been assumed to be 2.3% per annum (2014: 2.5%). It is further assumed that the benefit indexation will be taken up by a percentage, determined in line with the Company's recent experience, of the eligible policyholders.

Rates of taxation

Rates of taxation have been assumed to be at 28% (2014: 28%)

The rate of GST has been assumed to be 15% (2014: 15%).

Asset mix

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

Notes to the financial statements (continued)

b) Disclosure of assumptions (continued)

Mortality and morbidity

Mortality rates for risk products, which vary by sex, age and smoking status, have been based on the Company's recent experience. Further adjustments are applied for direct marketing products and for some closed products on the observed experience for this business. The rates shown in the following table are aggregate rates before smoker/non-smoker adjustments.

	2015	2014
Males	75% - 90% IA9597	80% - 90% IA9597
Females	75% - 90% IA9597	80% - 90% IA9597

IA9597 are the Graduated Mortality Tables IA95-97 issued by The Institute of Actuaries of Australia.

Mortality rates for some direct marketed products are based on NZ population mortality tables and have been set at 65%-120% NZ9092 (2014:65%-90%) for males and 65%-120% NZ9092 (2014: 65%-90%) for females.

Annuitant mortality rates, which vary by age and sex, have been based on industry experience. They are set at 66% (2014: 66%) of the IM80 and IF80 UK tables of the immediate annuity tables published by The Institute of Actuaries allowing for future mortality improvement.

Disability

Disability income benefit incidence and termination rates were based on the graduated morbidity (IAD) tables for disability income business published by the Institute of Actuaries of Australia. In each case the rates were adjusted by factors dependent on New Zealand industry experience, entity experience and the nature of benefits. Claim incidence and termination rates are as shown below.

Incidence between 65% and 79% IAD 89-93 (2014: Incidence between 50% and 89% IAD 89-93).

Termination between 20% and 77% IAD89-93 (2014: Termination between 25% and 85% IAD 89-93).

Claim rates for lump sum disability benefits were based on various tables reflecting New Zealand and Australian experience, adjusted by factors dependent on group experience and the nature of benefits.

Voluntary discontinuance

Future rates of discontinuance for the major classes of business assumed, varied by duration and class of business, were in the order of:

	2015 %	2014 %
Lump sum risk	4 – 30	4 - 25
Disability income	4 - 17	4 - 17
Conventional	3	3

Higher discontinuances are assumed for policyholders aged over 60. Higher discontinuances are assumed where premium rates have recently been increased.

Surrender values

Current surrender value bases have been assumed to be maintained. No change from last year.

Notes to the financial statements (continued)

b) Disclosure of assumptions (continued)

Bonuses

Future bonuses in policy liabilities are those supported by the supporting assets together with the current premium rates and other assumptions.

Bonus rates and interest crediting rates are reviewed at least once a year after taking into consideration the investment experience of the underlying assets, other experience of the business such as the experience of lapse and mortality, the reasonable expectation of the policyholders and equity among different lines of products. The actual bonus rates and interest crediting rates declared may include a certain degree of smoothing. Terminal bonus rates vary by duration and product lines.

Future participating benefits

For participating business, the Company's policy is to set reversionary bonus rates such that over long periods together with terminal bonuses where applied, the returns to policy owners are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. Distributions are split between policy owners and shareholders with the valuation allowing for shareholders to share in distributions up to the maximum allowable rate of 20%. In applying the policy owners' share of retained profits to provide bonuses, consideration is given to equity between generations of policy owners and equity between the various classes in force.

c) Processes used to select assumptions

An explanation of the method used to determine the individual applied assumptions is described below.

Mortality and morbidity

An appropriate base table of mortality is chosen for the type of product being written. An investigation into the actual experience of the Company is performed and statistical methods are used to adjust the rates reflected in the table to a best estimate of expected mortality based on the investigation results and industry benchmarks. A similar process is adopted for morbidity.

Lapse

An investigation into the actual experience of the Company is performed and statistical methods are used to determine an appropriate lapse rate. Allowance is made for any trends in the data to arrive at a best estimate of future lapse rates.

d) Effects of changes in actuarial assumptions from 30 June 2014 to 30 June 2015

Assumption category	2015	
	Future profit	Policy liability
	increase/(decrease) \$'000	increase/ (decrease) \$'000
Discount rates (risk business)	9,730	(5,079)
Mortality and morbidity	11,993	-
Lapse and surrender rates	(15,490)	-
Maintenance expenses	1,669	-
Inflation rate	(14,984)	-
Premium rate changes	7,112	-
Other	(471)	-
Total	(441)	(5,079)

Notes to the financial statements (continued)

e) Sensitivity analysis

Life insurance and investment contracts are affected by the same subset of variables (mainly arising from financial risks and risks associated with events in human life like death or diseases) and as a result are presented together in this note.

The tables below illustrate the sensitivity of reported profit or loss to changes in assumptions that have a material effect on it.

	2015		2014	
	Change in Profit (loss) variable	after tax \$'000	Change in Profit (loss) variable	after tax \$'000
Change in discount rates	+1%	(4,944)	+1%	(3,539)
	-1%	4,944	-1%	3,539
Change in mortality and morbidity	+10%	(2,597)	+10%	(2,401)
	-10%	2,597	-10%	2,401
Change in lapse rate	+10%	-	+10%	-
	-10%	-	-10%	-
Change of expense assumption	+10%	-	+10%	-
	-10%	-	-10%	-

17. Share capital

	2015		2014	
	Shares No. (000)	Shares \$'000	Shares No. (000)	Shares \$'000
Issued and fully paid ordinary shares	162,342	189,230	162,342	189,230
Preference shares	45,000	45,000	45,000	45,000
Shareholder contribution under equity settled employee share plans	-	821	-	750
Total share capital	207,342	235,051	207,342	234,980

Movements in shareholder contributions under equity settled employee share plans

Balance at the beginning of the financial year	-	750	-	713
Contributions under equity settled share plans	-	71	-	37
Balance at the end of the financial year	-	821	-	750

As at 30 June 2015, the Company had 162,342,450 ordinary shares issued to Suncorp New Zealand Limited (2014: 162,342,450). The Company does not have authorised capital or par value in respect of its issued shares which all rank equally and are fully paid.

The dividends on the redeemable preference shares are payable at the discretion of the Company. Similarly, the redeemable preference shares are redeemable at the discretion of the Company. In the event of liquidation of the Company, the holder of the redeemable preference shares do not participate in any distribution of profits or assets of the Company.

Each ordinary and preference share is entitled to one vote.

Notes to the financial statements (continued)

18. Capital management

18.1 Capital management policies and objectives

The Company is part of the Suncorp Group. The capital strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite. The Suncorp Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Suncorp Group as a whole, and each regulated entity, is independently capitalised to meet internal and external requirements.

With the implementation of the Insurance (Prudential Supervision) Act 2010 (the **Act**), all life insurance entities carrying on insurance business in New Zealand are required to be licensed by the Reserve Bank of New Zealand (**RBNZ**). The Company was granted its full licence on 17 May 2013. The Company is now managing its capital in accordance with the requirements of the Act and the Solvency Standard for Life Insurance Business (the **Solvency Standard**) issued by the RBNZ.

The Company is required to maintain a minimum solvency margin of at least \$0 for each of the shareholder and statutory funds, i.e. actual solvency capital as determined under the Solvency Standard should be at or above the minimum solvency capital level. The Company is also required to retain a minimum fixed capital of at least \$5 million. Fixed capital is the minimum amount of actual solvency capital that the Company is required to hold at all times.

The Company satisfied all externally imposed capital requirements which it was subject to during the year ended 30 June 2015.

The Company has embedded in its capital management framework, the necessary tests to ensure continuous and full compliance with the Solvency Standard.

The Board Audit and Risk Committee oversees the capital computations and maintain the optimal capital structure by advising the Board on dividend payments and share issues. In addition, the Company manages its required level of capital through analysis and optimisation of the Company's product and asset mix, reinsurance program, catastrophe exposure and investment strategy.

18.2 Capital composition

The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used by the Company is total equity attributable to owners. Total equity attributable to owners equates to "capital" as defined in the Solvency Standard.

18.3 Regulatory capital

Regulatory capital is made up of two components, actual solvency capital and minimum solvency capital with the difference representing the solvency margin. The calculation of the solvency margin for the Company is detailed below:

	2015			2014		
	Statutory Fund \$'000	Shareholder Fund \$'000	Total \$'000	Statutory Fund \$'000	Shareholder Fund \$'000	Total \$'000
Actual solvency capital	368,889	3,186	372,075	349,913	3,514	353,427
Minimum solvency capital	334,094	203	334,297	319,836	605	320,441
Solvency margin	34,795	2,983	37,778	30,077	2,909	32,986
Solvency ratio			1.11			1.10

19. Credit rating

The Company holds a credit rating of A+ from Standard & Poors (2014: A+).

Notes to the financial statements (continued)

20. Notes to the statement of cash flows

	2015	2014
	\$'000	\$'000
Profit for the financial year	47,315	31,922
Non-cash items		
Investment income - changes in fair value of financial assets	(42,579)	(10,026)
Change in policy liabilities (including unvested)	5,761	185
Movement in defined benefit funds	261	301
Deferred tax charged on defined benefit scheme	(125)	(7)
Share-based payments	71	37
Change in assets and liabilities		
Receivables (excluding loans)	1,155	2,161
Reinsurance recoveries receivable	(2,740)	(1,506)
Policy liabilities ceded under reinsurance	(804)	424
Other assets (excluding collateral)	6,064	133
Outstanding claims liabilities	2,302	10,229
Unearned premiums liabilities	(182)	(516)
Employee entitlements	654	(410)
Creditors and accruals	(724)	575
Taxation	41,366	(5,946)
Life insurance policy liabilities	(3,553)	(25,237)
Policyholder loans	(926)	(568)
Increase/(decrease) in investment receivables	(4,243)	(1,327)
(Decrease)/increase in investment payables	(2,353)	1,499
Net cash from operating activities	46,720	1,923

Notes to the financial statements (continued)

21. Financial instruments

21.1 Comparison of fair value to carrying amounts

Investments and derivatives are recognised and measured at fair value and therefore their carrying value equates to their fair value.

Investments traded in an active market are valued with reference to the closing quoted market price.

Assets and liabilities that are not recognised and measured at fair value include cash and cash equivalents, policyholder and other loans, trade and other receivables, related party receivables and payables, and payables and other liabilities. The basis of recognition and measurement of these financial assets and liabilities is described in Note 29. Their carrying value is a reasonable approximation of their fair value.

21.2 Fair value hierarchy

Financial assets and liabilities that are recognised and measured at fair value are categorised by a hierarchy which identifies the most significant input used in the valuation methodology:

- Level 1 – derived from quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2 – derived from other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly.
- Level 3 – fair value measurement is not based on observable market data.

The Level 2 securities held by the Company represent investment securities and derivatives valued using a market comparison technique. For investment securities the fair value is calculated using observable inputs from a non active market for an identical security with the valuation reflecting the exit price for the security. For derivatives the fair value is based on broker quotes adjusted for credit valuation to reflect credit risk. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2015				
Assets				
Investment securities	97,767	506,443	-	604,210
Derivatives	-	2,152	-	2,152
	97,767	508,595	-	606,362
Liabilities				
Derivatives	-	(184)	-	(184)
	-	(184)	-	(184)
As at 30 June 2014				
Assets				
Investment securities	105,527	468,001	-	573,528
Derivatives	-	13	-	13
	105,527	468,014	-	573,541
Liabilities				
Derivatives	-	(7,303)	-	(7,303)
	-	(7,303)	-	(7,303)

There have been no significant transfers between Level 1 and Level 2 during the 2015 and 2014 financial years.

The fair value hierarchy table included in the Company's financial report for the financial year ended 30 June 2014 included policyholder loans within Level 3. Policyholder loans are measured at amortised cost and as such have been excluded from the above table.

Notes to the financial statements (continued)

21.3 Accounting classification and fair values

The fair values of financial assets and liabilities, together with the carrying amount shown in the statement of financial position, are as follows:

		At amortised cost			
	Designated at fair value \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Carrying amounts \$'000	Fair value \$'000
As at 30 June 2015					
Cash and cash equivalents	-	11,162	-	11,162	11,162
Trade and other receivables	-	11,610	-	11,610	11,610
Related party receivables	-	86	-	86	86
Other assets - accrued income	-	2,705	-	2,705	2,705
Policyholder loans	-	6,339	-	6,339	6,339
Investment securities	604,210	-	-	604,210	604,210
Derivatives	2,152	-	-	2,152	2,152
Total	606,362	31,902	-	638,264	638,264
Payables and other liabilities	-	-	(11,925)	(11,925)	(11,925)
Related party payables	-	-	(5,204)	(5,204)	(5,204)
Derivatives	(184)	-	-	(184)	(184)
Total	(184)	-	(17,129)	(17,313)	(17,313)
As at 30 June 2014					
Cash and cash equivalents	-	21,479	-	21,479	21,479
Trade and other receivables	-	11,855	-	11,855	11,855
Related party receivables	-	40	-	40	40
Other assets - accrued income	-	2,985	-	2,985	2,985
Policyholder loans	-	7,265	-	7,265	7,265
Investment securities	573,528	-	-	573,528	573,528
Derivatives	13	-	-	13	13
Total	573,541	43,624	-	617,165	617,165
Payables and other liabilities	-	-	(10,001)	(10,001)	(10,001)
Related party payables	-	-	(9,535)	(9,535)	(9,535)
Derivatives	(7,303)	-	-	(7,303)	(7,303)
Total	(7,303)	-	(19,536)	(26,839)	(26,839)

Notes to the financial statements (continued)

21.4 Master netting or similar arrangements

The Company is party to certain interest rate swap agreements with New Zealand based financial institutions which are settled on a net basis. The financial asset and liability positions under these contracts are offset within the statement of financial position. The table below shows the impact of this offsetting:

	Gross amounts \$'000	Offsetting applied \$'000	Net amount presented in the statement of financial position \$'000	Related cash collateral which are not offset \$'000	Net exposure \$'000
As at 30 June 2015					
Financial assets					
Interest rate swaps	2,152	-	2,152	(40)	2,112
Financial liabilities					
Interest rate swaps	-	-	-	-	-
As at 30 June 2014					
Financial assets					
Interest rate swaps	-	-	-	-	-
Financial liabilities					
Interest rate swaps	(7,303)	-	(7,303)	5,690	(1,613)

22. Risk management

22.1 Risk management objectives and structure

As the Company is part of the Suncorp Group, the Company works within the context of the Suncorp Group risk management objectives and structure as described below.

The Suncorp Group Limited Board recognises that effective risk management is considered to be critical to the achievement of the Suncorp Group's objectives. This recognition is echoed by the Company Board. The Company's Board Audit & Risk Committee (**BARC**) is responsible for assisting the Company's Board in fulfilling its responsibilities with respect to the oversight of all categories of risk, which includes the identification, assessment and management of risk, and adherence to risk management and other policies and procedures.

An Enterprise Risk Management Framework (**ERMF**) is in place for the Suncorp Group. It is subject to an annual review, updated for material changes as they occur and is approved by the Group Board, and separately endorsed by the Company's Board. The ERMF comprises:

- The Suncorp Group's risk appetite framework and its link to strategic business and capital plans. Risk Appetite is set at Suncorp Group level and at the business unit level in Board-approved Risk Appetite Statements. Each regulated company in the Group has its own RAS.
- Accountabilities and governance arrangements for the management of risk within the Three Lines of Defence model.
- Risk management processes.

Notes to the financial statements (continued)

22.1 Risk management objectives and structure (continued)

The Three Lines of Defence model of accountability involves:

Line of Defence	Responsibility of	Accountable for
First – Manage risk and comply with Company adopted Suncorp Group, and Company specific frameworks, policies and the Company's risk appetite	All business areas (and staff)	<ul style="list-style-type: none"> Identify and manage the risks inherent in their operations including control testing Ensure compliance with all legal and regulatory requirements and Company adopted Suncorp Group, and Company specific Suncorp Group policies Promptly escalate any significant actual and emerging risks for management attention.
Second – Independent functions own and monitor the application of risk frameworks, and measure and report on risk performance and compliance	All risk functions	<ul style="list-style-type: none"> Design, implement and manage the ongoing maintenance of risk frameworks and related policies Advise and partner with the business in the design and execution of risk frameworks and practices Develop, apply and execute risk frameworks that are consistent with Suncorp Group for the respective business area Facilitate the reporting of the appropriateness and quality of risk management.
Third – Independent assurance over internal controls and risk management practices	Internal auditors and specific obligations of the Appointed Actuaries.	<ul style="list-style-type: none"> Decides the level and extent of independent testing required to verify the efficacy of internal controls Validates the overall risk framework Provides assurance that the risk management practices are functioning as intended.

Management recommends to the Company Board, and the Board has approved, various frameworks, policies and limits relating to key categories of risk faced by the Company. Management has the primary responsibility and accountability for embedding the risk management framework within the business operations of the Company. The Company has a Chief Risk Officer (**CRO**) who has the management responsibility for risk, compliance and related issues. This person indirectly reports to the Group Chief Risk Officer employed by the ultimate parent company.

The Company has in place a number of Management Committees, each with its own charter, to execute specified responsibilities in the risk framework. These committees include the SLNZ Operational Risk and Compliance Committee (ORCC) and a Breach Committee. The role of the ORCC is to monitor and report on all areas of operational risk matters within the Company. The Breach Committee exists to determine whether actual and potential compliance issues/events constitute a reportable breach. The Breach Committee reports to the ORCC.

A Risk Management Program (**RMP**) endorsed by the ORCC and approved by the Board is prepared. This is subject to annual review and is submitted to the Reserve Bank of New Zealand. The RMP includes the Risk Management Strategy and associated mandates, that describes the strategy adopted by the Board for managing risk, including the risk appetite, policies, procedures, management responsibilities and controls.

Oversight is also provided by the Suncorp Life Asset and Liability Committee (**ALCO**). The ALCO provides effective governance over aspects of the risk framework designed to optimise the long-term returns achieved by portfolios within any risk appetite or parameters established by the Company's Board.

Notes to the financial statements (continued)

22.1 Risk management objectives and structure (continued)

The key risks addressed by the ERMF are defined below:

Key risks	Definition
Credit risk (counterparty risk)	The risk that a counterparty will not meet its obligations in accordance with agreed terms.
Liquidity risk	The risk that the Company will be unable to service its cash flow obligations today or in the future.
Market risk	The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices and market volatilities.
Asset and liability risk	The risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term.
Insurance risk	The risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, concentration risk reserving, claims management and/or reinsurance management.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
Compliance risk	The risk of legal or regulatory sanctions, financial loss, or loss of reputation which the Company may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.
Strategic risk	The risk that the Company's business model or strategy is not viable due to uncertainties in the future operating environment.

The Company is exposed to mainly the following categories of market risks:

Categories of market risk	Definition
Foreign exchange (FX) risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest bearing assets and liabilities from changes in interest rates.
Equity risk	The risk of loss in current and future earnings and unfavourable movement in the value of investments in equity instruments from adverse movements in equity prices.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss in current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Further discussions on the application of the Company's risk management practices are presented in the following sections:

- Note 22.2 Insurance risk management
- Note 22.3 to 22.5 Risk management for financial instruments: credit, liquidity and market risks.

Notes to the financial statements (continued)

22.2 Insurance risk management

a) Policies and practices for mitigating insurance risk

Controls are implemented to manage the following components of insurance risk:

- pricing, including pricing strategies, technical pricing and pricing adequacy reviews
- roles and responsibilities for pricing, the development and approval of new products and changes to existing products
- processes that identify and respond to changes in the internal and external environment impacting insurance products
- underwriting, including processes to consider aggregate exposures from a portfolio perspective to determine the actual exposure to particular risks or an event, monitoring of significant accumulation and concentration of risk, and guidelines around the utilisation of reinsurance in pricing and underwriting
- delegated authorities for the acceptance, assessment and settlement of claims including operational and ex-gratia authority limits
- procedures relating to the notification, assessment, evaluation, settlement and closure of claims, and processes to detect and reduce loss associated with claims risk; and
- reserving practices and procedures at individual claim and portfolio level.

Concentration of insurance risk is mitigated through diversification over classes of insurance business, industry segments, the use of reinsurer coverage and ensuring there is an appropriate mixture of business.

The concentration of insurance risk is also managed by ensuring an appropriate mixture of individual and group insurance business split between mortality, morbidity and annuity benefit payments. Exposure to risk of large claims for individual lives is managed through monitoring of the Company's in-force business and the mix of new business written each year.

Notes to the financial statements (continued)

b) Terms and conditions of insurance contracts

The nature and terms of the insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend.

The following table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance and investment contracts issued by the Company depend.

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting the timing and uncertainty of future cash flows
Long term non-participating life insurance contracts with fixed and guaranteed terms. (Term and Life Disability).	Guaranteed benefits paid on death, ill health or maturity benefits are fixed and guaranteed and not at the discretion of the insurer.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of the contracts as a whole.	Mortality, morbidity, market interest rates, lapses and expenses.
Long term insurance contracts with discretionary participating benefits. (Endowment and Whole of Life).	These policies include a defined initial guaranteed sum assured which is payable on death. The guaranteed amount increases throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed.	Benefits arising from the discretionary participation feature are based on the performance of specified pool of contracts or a specified type of contract.	Mortality, morbidity, market earning interest rates, lapses and expenses.
Non-discretionary participating investment contracts without guaranteed returns.	The gross value of premiums received is invested in units and the investment account is the value of the units. Investment management fees are deducted from policyholders annually based on the average value of funds under management.	The investment return is equal to the earnings on assets backing the investment contracts less any applicable management fees.	Market risk, interest rates and expenses.

22.3 Credit risk

The Company is exposed to and manages the following key sources of credit risk.

Key sources of credit risk	How are these managed
Investments in financial instruments	Investments in financial instruments in the investment portfolios are held in accordance with the investment mandates. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. An investment framework is in place that sets and monitors investment strategies and arrangements.
Reinsurance recoveries receivables	Credit risk with respect to reinsurance programs is minimised by placement of cover with a number of reinsurers with strong credit ratings. Eligible recoveries under reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market.

Notes to the financial statements (continued)

22.3 Credit risk (continued)

The Company has no specific concentration of risk with a single counterparty arising from the use of financial instruments in managing its investment portfolios other than normally arise through dealings on recognised exchanges and off exchange dealings (over the counter contracts). The counterparties to over the counter contracts are limited to companies with strong credit ratings from a recognised credit rating agency. These counterparties are normally banks operating in New Zealand.

For investment securities, credit ratings of counter parties for which credit risk is assessed only relate to the interest bearing securities of the Company.

For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Unit linked assets totalling \$3 million (2014: \$6 million) are therefore not included in the two below sets of schedules. Policyholder loans are fully secured by the policy values on which the loans are made. As the shareholder has no direct exposure to any credit risk on the policyholder loans, these assets are excluded from the two below sets of schedules.

There has been no material change in the credit risk faced by the Company or the policies and processes for managing the risk during the period.

	Credit Rating				Non-investment grade	Not Rated	Total
	AAA \$'000	AA \$'000	A \$'000	BBB \$'000			
As at 30 June 2015							
Cash and cash equivalents	-	4,949	2,869	-	-	-	7,818
Loans and receivables	-	9,599	-	-	-	1,962	11,561
Related party receivables	-	-	-	-	-	86	86
Other assets	-	-	-	-	-	2,705	2,705
Reinsurance recoveries receivable	-	34,776	-	-	-	-	34,776
Investment securities	9,547	230,375	81,547	7,668	-	-	329,137
Policy liabilities ceded under reinsurance	-	-	10,623	-	-	-	10,623
	9,547	279,699	95,039	7,668	-	4,753	396,706
As at 30 June 2014							
Cash and cash equivalents	-	11,757	4,524	-	-	-	16,281
Loans and receivables	-	7,846	-	-	-	3,223	11,069
Related party receivables	-	-	-	-	-	40	40
Other assets	-	5,690	-	-	-	2,985	8,675
Reinsurance recoveries receivable	-	32,036	-	-	-	-	32,036
Investment securities	-	289,789	66,478	6,964	-	5,623	368,854
Policy liabilities ceded under reinsurance	-	-	9,819	-	-	-	9,819
	-	347,118	80,821	6,964	-	11,871	446,774

Notes to the financial statements (continued)

22.3 Credit risk (continued)

All financial assets are neither past due nor impaired at balance date except for those disclosed in the following table. An amount is considered past due when a contractual payment falls overdue by one or more days. When an amount is classified as past due, the entire balance is disclosed in the past due analysis presented.

	Neither past due nor impaired \$'000	Past due but not impaired					Total \$'000
		0-3 mths \$'000	3-6 mths \$'000	6-12		Impaired \$'000	
				mths \$'000	>12 mths \$'000		
As at 30 June 2015							
Loans and receivables	5,671	4,508	588	391	403	-	11,561
As at 30 June 2014							
Loans and receivables	8,294	2,278	443	25	29	-	11,069

Other loans receivables

The Company provides loans to agents in respect of business development. As at 30 June 2015 the total carrying value was \$54,000 (2014: \$195,000). No provisions have been recognised for impaired or past due but not impaired loans (2014: nil).

Derivatives

The Company uses derivatives for portfolio management purposes. They are used as an alternative where longer duration physical assets are not readily available, in order to achieve a desired level of total exposure as a means to hedge against market movements. Total exposure is the sum of the market value of the physical assets plus the equivalent physical asset value attributed to the derivatives.

Deliberate gearing up or leverage exposure to an asset class is not permitted.

The most commonly used derivatives by the Company are interest rate swaps and foreign currency forward contracts.

Derivatives are valued on a market-to-market basis such that the statement of comprehensive income and the statement of financial position reflect all unrealised gains and losses on derivatives.

The Company has a risk management statement which describes the controls used to manage the risks associated with the use of derivatives. Limits are set on the effective exposure implied by the use of derivatives and on transaction levels and aggregate counterparty exposure. The limits and criteria on which they are set are regularly reviewed, while all review, monitoring and control processes are independent of portfolio activity.

Notes to the financial statements (continued)

22.4 Liquidity risk

The Company is exposed to daily calls on its available cash resources from maturing policies and policy claims and surrenders. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Directors set limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand.

There has been no material change in the liquidity risk faced by the Company or the policies and processes for managing the risk during the period.

The following table summarises the maturity profile of the Company's financial liabilities based on the remaining undiscounted contractual obligations. It also includes the maturity profile for life insurance and life investment contract policy liabilities based on the discounted estimated timing of net cash outflows.

This table shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the current date using the assumed future investment earning rate for each product.

For investment-linked business the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any risk in those assets. Therefore the table in this section shows the investment contract liability portion in policy liabilities separately without any maturity profile analysis.

	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	No term \$'000	Investment contracts \$'000	Total \$'000
As at 30 June 2015						
Payables and other liabilities	11,609	-	-	-	316	11,925
Related party payables	1,741	-	-	-	3,463	5,204
Outstanding claims liabilities	32,026	30,936	42,038	-	81	105,081
Policy liabilities	(17,332)	(39,225)	(102,678)	24,239	225,177	90,181
Derivatives	184	-	-	-	-	184
	28,228	(8,289)	(60,640)	24,239	229,037	212,575
As at 30 June 2014						
Payables and other liabilities	8,916	-	-	-	1,085	10,001
Related party payables	5,216	-	-	-	4,319	9,535
Outstanding claims liabilities	34,856	29,355	38,549	-	19	102,779
Policy liabilities	(21,192)	(24,427)	(93,756)	22,699	214,589	97,913
Derivatives	(412)	3,312	4,403	-	-	7,303
	27,384	8,240	(50,804)	22,699	220,012	227,531

Notes to the financial statements (continued)

22.5 Market risk

The Company takes on exposure to market risks including currency risk, fair value and cash flow interest rate risk, and price risk. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The market risks that the Company primarily faces are equity risk and interest rate risk due to the nature of its investments and liabilities.

For all the assets backing life insurance contracts that are sensitive to equity risk, the Company has developed investment guidelines to manage the Company's exposure to equity price risk primarily by setting benchmarks for asset mix.

Investment activity for the Company is undertaken in accordance with investment mandates established by the Directors of the Company. The mandates stipulate the investment allocation mix, the match of investment assets and liabilities and the use of derivatives.

The Company monitors the sensitivity of reported profit to market risk by assessing the expected change in the values of assets which would affect the profit as follows.

For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to risk in those assets. The assets that back the unit linked liabilities are therefore not included in the tables shown below.

There has been no material change in the market risk faced by the Company or the policies and processes for managing the risk during the period.

a) Interest rate risk

The Company manages some of its exposure to interest rate risk by matching assets to the liabilities that they back. Separate asset/liability matching analyses are employed for separate categories of products within each business. Although this natural hedging is not reflected in the accounting policies adopted or in the presentation of the results and statement of financial position included in these financial statements, it does mitigate the Company's exposure to such risk. These matching procedures are not 100% effective. The Company strikes a balance, mitigating the most significant exposure to interest rate risk while maximising the return to participating policyholders and shareholders by allowing some flexibility to those who manage the investment of the assets. A number of derivatives may be held to enable the matching of asset and liability to further mitigate exposure to interest rate movements.

The substantial proportion of both interest bearing and non-interest bearing assets are investments held in respect of policy liabilities. The management of the risks associated with policy liabilities, including the interest rate risk, is subject to the requirements of the Reserve Bank of New Zealand Solvency Standard for Life Insurance Business. This includes satisfying solvency requirements, which in turn includes consideration of how assets and liabilities are matched. The Company enters into interest rate swap contracts for the purpose of extending the duration (weighted average time to maturity) of the fixed interest investments held to match the duration of the underlying policy liabilities that they back.

A change in interest rate impacts the fair value of the Company's fixed rate and non interest bearing assets, and its interest rate swaps. Fair value changes impact on profit or loss or equity only where the instruments are carried at fair value.

For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to risk in those assets. The assets that back the unit linked liabilities are therefore not included in the table below.

Fair value sensitivity due to changes in interest rates (based on the assets held at balance date) on the Company's fixed rate assets and interest rate swaps is disclosed below.

Details of the Company's solvency is disclosed in Note 18.3.

The following table shows the sensitivity to movements in the underlying interest rates of the interest bearing assets/(liabilities) to which the Company is exposed. The exposure of derivative financial instruments to interest rate risk is on the notional value of the derivative contracts as disclosed in the table below.

Notes to the financial statements (continued)

a) Interest rate risk (continued)

(Note: the analysis of interest rate sensitivity for interest bearing investment assets has been analysed with respect to movements in yields rather than direct movements in market value).

	2015			2014		
	Exposure	Change in variable	Profit (loss) after tax and equity	Exposure	Change in variable	Profit (loss) after tax and equity
	\$'000		\$'000	\$'000		\$'000
Cash and cash equivalents	7,818	+1.5%	76	16,281	+1.5%	181
		-1.0%	(50)		-1.0%	(48)
Collateral provided for derivatives	-	+1.5%	-	5,690	+1.5%	61
		-1.0%	-		-1.0%	(41)
Interest bearing investment securities	329,137	+1.5%	(9,122)	368,855	+1.5%	(8,295)
		-1.0%	6,461		-1.0%	5,855
Loans and receivables	22,238	+1.5%	1	20,888	+1.5%	2
		-1.0%	-		-1.0%	(1)
Financial liabilities	131,000	+1.5%	(9,662)	131,000	+1.5%	(9,774)
		-1.0%	6,442		-1.0%	6,516
Derivatives	2,320	+1.5%	-	2,211	+1.5%	-
		-1.0%	-		-1.0%	-
	492,513			544,925		

Movements in market interest rates impact the price of the securities (and hence their fair value measurement) and so would impact either profit or equity.

b) Foreign exchange risk

The Company is exposed to currency risk in that future movements in the New Zealand dollar against currencies of the countries in which foreign investments are held will affect the cash flows and the market values of these investments.

The Company also invests in certain New Zealand Dollar denominated unit trusts that have underlying exposures to other foreign currencies. The Company has no direct exposure to foreign currency risk associated with these investments.

The Company has undertaken forward exchange contracts to mitigate this currency risk in respect of some investments denominated in foreign currencies and the underlying foreign currency exposure on some of its investments in overseas unit trusts. The table below shows assets denominated in overseas currencies after allowing for the effect of forward foreign exchange contracts.

The carrying amounts and profit or loss sensitivity to movements in the currencies of the Company's overseas financial assets are denominated in the following currencies.

	2015			2014		
	Exposure	Change in variable	Profit (loss) after tax and equity	Exposure	Change in variable	Profit (loss) after tax and equity
	\$'000		\$'000	\$'000		\$'000
AUD	51	+10%	(4)	(26)	+15%	1
		-10%	4		-15%	(2)

Notes to the financial statements (continued)

c) Equity/commodity price risks

For all the assets backing life insurance contracts that are sensitive to equity risk, the Company has developed investment guidelines to manage the Company's exposure to equity price risk primarily by setting benchmarks for asset mix.

The following table shows the sensitivity to movements in the value of the equity assets to which the Company is exposed.

	2015			2014		
	Exposure	Change in	Profit (loss)	Exposure	Change in	Profit (loss)
	\$'000	variable	after tax and equity	\$'000	variable	after tax and equity
			\$'000			\$'000
Domestic equities/unit trusts	14,318	+20%	2,062	13,698	+20%	1,973
		-20%	(2,062)		-20%	(1,973)
International equities/unit trusts	12,686	+20%	1,827	16,226	+20%	2,337
		-20%	(1,827)		-20%	(2,337)
Fixed interest/unit trusts	60,679	+20%	8,738	-	+20%	-
		-20%	(8,738)		-20%	-
	87,683			29,924		

22.6 Capital management

The Company's capital management policies and objectives together with details of the amount of equity retained for the purpose of financial soundness are described in Note 18.

23. Commitments of expenditure

	2015	2014
	\$'000	\$'000
Lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,214	3,223
Later than one year but not later than 5 years	9,671	11,095
Later than 5 years	4,362	6,161
Non cancellable operating leases	17,247	20,479

The Company leases a number of commercial office premises and car parks throughout New Zealand with varying lease terms of up to 12 years from the date of inception with periodic rent reviews. It also has the legal right to sub-lease to a third party, one of its commercial office premises and respective car parks.

Notes to the financial statements (continued)

24. Related parties

24.1 Controlling entities

The ultimate parent of the Company is Suncorp Group Limited. The parent of the Company is Suncorp Group New Zealand Limited.

24.2 Transactions and balances

The following table shows transactions with related parties other than key management personnel.

	2015	2014
	\$'000	\$'000
Accounting and administration expenses received		
Parent	593	2,103
Subsidiaries of ultimate parent	1,206	921
Other	963	959
Accounting and administration expenses paid		
Parent	2,672	2,584
Subsidiaries of ultimate parent	6,261	6,169
Other	78	80
Commissions paid		
Other	9,991	9,480
Commissions received		
Subsidiaries of ultimate parent	792	802
Management fees received		
Subsidiaries of ultimate parent	1,000	1,000
Premiums received		
Parent	-	3
Subsidiaries of ultimate parent	359	341
Other	11	9
Premiums paid		
Subsidiaries of ultimate parent	95	75
Employer contributions paid to superannuation schemes		
Other	131	127
Group tax loss offsets received		
Parent	39	-
Subsidiaries of ultimate parent	47,901	-
Share-based payments		
Parent	71	37
Dividends paid		
Parent	64,700	23,500

The "Other" entity category presented in the table above and the following table includes managed superannuation schemes together with AA Life Services Limited which is a joint venture company owned 50% by the Company's parent Suncorp Group New Zealand Limited.

Notes to the financial statements (continued)

24.2 Transactions and balances (continued)

Aggregate amounts receivable from or payable to related parties as at 31 June 2015 and 30 June 2014 are shown in the table below:

	2015	2014
	\$'000	\$'000
Amounts receivable from		
Parent	-	8
Subsidiaries of ultimate parent	-	32
Other	86	-
Total amounts receivable from related parties	86	40
Amounts payable to		
Parent	209	103
Subsidiaries of ultimate parent	4,579	8,302
Other	416	1,130
Total amounts payable to related parties	5,204	9,535

All balances are unsecured, non-interest bearing and repayable on demand in the local currency.

24.3 Key management personnel

Key Management Personnel (**KMP**) are those persons who have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. KMP include Directors of the Company (executive and non-executive) as well as senior executives who report to the Chief Executive Officer. GE Summerhayes and GT Ricketts are remunerated by Suncorp Group.

	2015	2014
	\$'000	\$'000
Short-term employee benefits	2,925	3,002
Post employment benefits	109	109
Share based payment	71	37
Total compensation	3,105	3,148

25. Auditor's remuneration

	2015	2014
	\$'000	\$'000
During the year, the auditor of the Company was paid for the following services:		
Audit fees - current year		
Audit of annual accounts of the Company	435	582
Audit of annual accounts of managed funds	57	89
Audit fees - prior years		
Audit of annual accounts of the Company	46	75
Audit of annual accounts of managed funds	(39)	-
Non-audit fees current year		
Section 13(2)(c) reporting	12	13
Solvency return	38	48
Non-audit fees prior year		
Solvency return	(7)	-
Total auditor's remuneration	542	807

Notes to the financial statements (continued)

26. Contingent liabilities

Under the terms of its contracts with advisers, the Company has agreed that it would acquire the entitlement of individual retiring advisers to future income streams from renewal commission should the advisers themselves be unable to find an approved buyer within 6 months of the date that the agreement ends. The liability for future renewal commission is contained in the Company's policy liabilities, and therefore these potential transactions do not result in any change to the Company's net assets or profit and loss. In practice these transactions are not frequent and management do not consider that the consequent acceleration of the timing of underlying cash flows material.

27. Statutory funds

The Company has established a statutory fund as required under the Insurance (Prudential Supervision) Act 2010 (IPSA). The effective date of establishing the statutory fund is 1 July 2012.

The shareholder's access to the retained profits and shareholder's capital in the statutory fund is restricted by the IPSA. The shareholder's entitlement to monies held in the statutory fund is subject to the distribution and transfer restrictions of the IPSA.

	Participating business \$'000	Non Participating business \$'000	Total Statutory Fund \$'000	Shareholder Fund \$'000	Total \$'000
As at 30 June 2015					
Shareholder retained profits					
Shareholder opening retained profits	3,522	149,422	152,944	5,226	158,170
Operating profit	510	46,741	47,251	64	47,315
Transfer of profits between funds	347	(65,047)	(64,700)	64,700	-
Movement in employee defined benefit funds deficit	-	-	-	(7)	(7)
Dividends paid	-	-	-	(64,700)	(64,700)
Shareholder closing retained profits	4,379	131,116	135,495	5,283	140,778
Share capital and transfers					
Share capital	-	235,051	235,051	-	235,051
Total shareholder equity	-	235,051	235,051	-	235,051
Components of shareholder interest in statutory funds					
Shareholder retained profits	4,379	131,116	135,495	5,283	140,778
Share capital	-	235,051	235,051	-	235,051
Shareholder funds	4,379	366,167	370,546	5,283	375,829
As at 30 June 2014					
Shareholder retained profits					
Shareholder opening retained profits	3,332	139,148	142,480	7,305	149,785
Operating profit	250	31,714	31,964	(42)	31,922
Transfer of profits between funds	(60)	(21,440)	(21,500)	21,500	-
Movement in employee defined benefit funds deficit	-	-	-	(37)	(37)
Dividends paid	-	-	-	(23,500)	(23,500)
Shareholder closing retained profits	3,522	149,422	152,944	5,226	158,170
Share capital and transfers					
Share capital	-	234,980	234,980	-	234,980
Total shareholder equity	-	234,980	234,980	-	234,980
Components of shareholder interest in statutory funds					
Shareholder retained profits	3,522	149,422	152,944	5,226	158,170
Share capital	-	234,980	234,980	-	234,980
Shareholder funds	3,522	384,402	387,924	5,226	393,150

Refer to Note 4 for the allocation of profit to the policyholders.

Notes to the financial statements (continued)

28. Disaggregated information

	Statutory Fund	Shareholder Fund	Total
	\$'000	\$'000	\$'000
As at 30 June 2015			
Investment assets	597,000	7,210	604,210
Other assets	2,809	-	2,809
Life insurance contract liabilities	(159,235)	-	(159,235)
Life investment contract liabilities	225,177	-	225,177
Other liabilities	224,392	3,945	228,337
Retained profits directly attributable to shareholders	135,495	5,283	140,778
For the financial year ended 30 June 2015			
Premium revenue	195,183	-	195,183
Investment revenue	68,677	219	68,896
Claims expense	104,236	-	104,236
Other operating expenses	100,398	-	100,398
Investment revenues paid or allocated to policyholders	54,253	-	54,253
Profit before tax	56,664	145	56,809
Profit after tax	47,251	64	47,315
Capital payments made to/(distributions from) funds	(64,700)	-	(64,700)

29. Significant accounting policies

The Company's significant accounting policies set out below have been consistently applied to all periods presented in these financial statements.

29.1 Principles of life insurance business

Under the Insurance (Prudential Supervision) Act 2010 (IPSA) and related regulations, the Company has established separate statutory and shareholder funds. The shareholder's entitlement to monies held in the statutory fund is subject to the distribution and transfer restrictions of IPSA.

The Company's significant activity is the selling and administration of life insurance and life investment contracts. The business is comprised of life and disability insurance and investments. In relation to the Company's life insurance business, which is conducted by the Company, assets, liabilities, revenues and expenses are recognised in the financial statements irrespective of whether they relate to policy owners or the shareholder. A policy owner is one who holds a policy of insurance with the Company.

a) Life insurance contracts

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investments held by the entity, and the financial risks are substantially borne by the entity.

The insurance operations of the Company are conducted within separate funds and are reported in aggregate in the profit or loss in the statement of comprehensive income, statement of financial position and statement of cash flows of the Company.

Notes to the financial statements (continued)

b) Life investment contracts

Life investment contracts are all contracts that do not involve the acceptance of significant insurance risk. They include investment-linked contracts where the benefit amount is directly linked to the market value of the investment held in the particular investment-linked fund. While the underlying assets are registered in the name of the entity and the investment-linked policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment-linked policyholder bears the risks and rewards of the fund's investment performance. The Company derives fee income from the administration of investment-linked policies and funds.

Policy contracts that include both investment and insurance elements are separated into these two elements when practicable and when components can be reliably measured, and reported accordingly.

29.2 Foreign currency transactions

Transactions denominated in foreign currencies are initially translated to New Zealand dollars at the spot exchange rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the end of the reporting period are translated to New Zealand dollars at the spot rates of exchange current on that date. The resulting differences on monetary items are recognised in the profit and loss as exchange gains and losses in the financial year in which the exchange rates change. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency non-monetary assets and liabilities that are stated at fair value are translated to New Zealand dollars at foreign exchange rates ruling at the dates the fair value was determined.

29.3 Revenue and expense recognition

a) Premium revenue

Premium recorded as revenue relates to risk bearing life insurance contracts. The components of premium that relate to life investment contracts are in the nature of deposits and are recognised as a movement in policy liabilities.

Life insurance premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised on an accruals basis.

b) Claims expense

Insurance 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.

The component of a life insurance contract claim that relates to the bearing of risks is treated as a claim expense. Other life insurance claim amounts and all life investment contract amounts paid to policyholders are in the nature of withdrawals and are recognised as a decrease in policy liabilities.

c) Outwards reinsurance expense

Premium ceded to reinsurers is recognised as outwards reinsurance premium expense in profit or loss from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the pattern of gross premium received.

d) Life insurance reinsurance recoveries income

Policy claims recoverable from reinsurers are recognised as revenue in line with the recognition of the claim expense.

e) Investment revenue and expense

Interest income and expense are recognised in profit or loss using the effective interest method.

Dividends and distribution income are recognised when the right to receive income is established net of any imputation credits.

f) Fee income and other revenue

Fees and other income is recognised as services are provided.

Notes to the financial statements (continued)

g) *Basis of expense apportionment for the Company's life insurance business*

The Company's life insurance business expenses comprise either direct i.e. where they are directly attributable to life insurance and life investment products; or indirect i.e. all other expenses relating to the acquisition, maintenance and investment management activities associated with life insurance and life investment contracts, which are recorded in cost centres and have been incurred in relation to more than one business activity.

Life business expenses are classified as follows:

Acquisition expenses

The fixed and variable costs of acquiring new business, including commissions and similar distribution costs and costs of accepting, issuing and initially recording policies.

Investment management expenses

The costs involved with buying and selling investments and the ongoing management costs of an investment portfolio.

Maintenance expenses

All other costs are considered to be maintenance costs incurred to administer existing life insurance and life investment contracts.

29.4 Income tax

Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise.

From 1 July 2010, life insurers have been subject to a new tax regime. Two tax bases are maintained; the shareholder base where tax is payable on premiums plus investment income from shareholder funds, less claims, expenses and change in reserves; and the policyholder base where tax is payable on net investment income from policyholder funds. The life insurer pays tax on both bases at the prevailing company rate of 28% (2014:28%). As the life insurer is taxed as proxy for the policyholder, returns to policyholders are tax exempt.

Income and deductions are recognised using ordinary tax principles, with the addition of special rules to deal with the unique timing and allocation issues inherent with life insurance products.

Transitional provisions are included in the new regime for life risk business in force at 30 June 2010 which allow these policies to continue to be taxed similar to that incurred under the previous rules. The transitional provisions apply to stepped premium term policies in force at 1 July 2010 for a period of 5 years, and for level premium term policies in force at 1 July 2010 for the remainder of the duration of the policy. For stepped premium term policies, the transitional provisions expire on 30 June 2015.

The new rules also extend the benefits of the Portfolio Investment Entities (**PIE**) rules to people who save through life products.

Deferred income tax is provided in full and is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from revaluation of certain financial assets and liabilities, including derivative contracts, provision for employee entitlements, deferred acquisition costs and tax losses carried forward. The rates enacted or substantially enacted at the reporting date are used to determine deferred income tax. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The tax effect of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Where an item, which gives rise to a temporary difference, is recognised in or against equity, the deferred tax is also recognised in or against equity.

Notes to the financial statements (continued)

a) *Goods and services tax (GST)*

Revenue, expenses and assets are recognised net of the recoverable amount of GST. Receivables and payables are stated inclusive of GST where applicable. The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables and payables. The items in the cash flow statements are shown exclusive of the recoverable amount of GST.

29.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, other short-term highly liquid investments with original maturities of three months or less from the acquisition date, deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within liabilities in the statement of financial position unless there exists a right of offset.

29.6 Non-derivative financial assets

a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are classified as either held for trading or are designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

They are initially recognised on the trade date at fair value. Transaction costs are recognised in the profit or loss as incurred. Subsequently, the assets are measured at fair value on each reporting date based on the quoted market price where available. Where a quoted price is not available one of the following valuation techniques are used to value the assets at reporting date: recent arm's length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

Fair value for the various types of financial assets is determined as follows:

- Listed unit trusts and shares - by reference to the quoted market price.
- Listed government and semi government securities - by reference to the quoted market price.
- Unlisted investments - at valuation based on recent arm's length transactions, reference to other instruments that have substantially the same characteristics, discounted cash flow analysis and other pricing models. The assumptions and valuations inputs in applying these market standard valuation methodologies are determined using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of similar or identical instruments, broker-dealer quotes and reference data including market research.

Movements in fair value are taken immediately to the profit or loss.

b) *Loans and other receivables*

Loans and other receivables which include policyholder and other loan receivables are financial assets with fixed and determinable payments that are not quoted in an active market. They are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less any accumulated impairment losses.

A provision for impairment of trade and other receivable is established when there is objective evidence that the Company will not be able to collect all amounts receivable according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. Expected future receivables are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash inflows.

Notes to the financial statements (continued)

c) **Derecognition of financial assets**

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Company has transferred substantially all risk and rewards of ownership.

29.7 Derivative financial instruments

The Company holds derivative financial instruments to hedge the Company's assets and liabilities or as part of the Company's investment activities. Derivatives include exchange rate and interest rate related contracts and fixed interest options.

All derivatives are initially recognised at fair value on trade date. Transaction costs are recognised in profit or loss as incurred. Fair values are determined from quoted market prices where available; where quoted market prices are not available, discounted cash flow models, broker and dealer price quotations or option pricing models are used as appropriate. The fair value of derivative financial instruments also includes credit valuation adjustments to reflect credit risk for both the derivative counterparty and the Company. Derivatives are classified and accounted for as held for trading financial assets at fair value through profit or loss unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting. The Company has not adopted hedge accounting.

29.8 Assets backing life insurance and investment liabilities

The assets of the life business are assessed under *NZ IFRS4 Insurance Contracts* to be assets that are held to back life insurance and life investment contracts.

Financial assets backing life insurance and life investment contract liabilities

The Company has designated investment securities within the total statutory fund (participating and non-participating business), which are at fair value through profit or loss, as backing policy liabilities.

Financial assets not backing life insurance and life investment contract liabilities

Financial assets held within shareholder funds do not back life insurance contract liabilities or life investment contract liabilities. These comprise investment securities which have been designated at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy.

29.9 Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability, except for financial liabilities at fair value through profit or loss which exclude transaction costs. A financial liability is derecognised when it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities are classified into one of the following categories upon initial recognition. At each reporting date measurement depends upon the chosen classification.

a) Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- it is classified as held for trading; or
- upon initial recognition it is designated by the Company as fair value through profit or loss.

Financial liabilities arising from life investment contracts are measured at fair value based on future settlement amounts under the contract. Changes to the fair value are recognised in the profit or loss in the period in which they occur.

b) Financial liabilities at amortised cost

Financial liabilities, other than financial liabilities at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

29.10 Lease transactions

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are charged to the profit or loss in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. The Company does not have any finance leases.

29.11 Impairment

Assets of the Company are assessed for indicators of impairment at each reporting date. Indicators include both internal and external factors. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Any resultant write-down is recognised as an expense in the reporting period in which it occurs, unless the asset had previously been re-valued, in which case the previous revaluation is written back with any excess being expensed.

a) Calculation of recoverable amount for other assets

The recoverable amount of the Company's loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate computed at initial recognition of these financial assets. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through interest income.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable operational cash flows (cash generating units).

b) Reversal of impairment

An impairment loss for an asset is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. The impairment loss is reversed, in the profit or loss, only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded.

29.12 Employee entitlements

a) Short term employee benefits

Wages, salaries and annual leave

Liabilities for unpaid wages, salaries and annual leave due within 12 months are recognised in the statement of financial position. The liability is measured at undiscounted amounts using pay rates expected to be effective when the liability is to be paid in respect of employees' services up to the reporting date. Related on-costs such as payroll tax are also included in the liability.

Sick leave

Sick leave entitlements are non-vesting and are paid only upon valid claims for sick leave by employees. No liability for sick leave has been recognised as experience indicates that on average, sick leave taken each financial year is less than the entitlement accruing in that period. This experience is expected to recur in future financial years.

Notes to the financial statements (continued)

a) Short term employee benefits (continued)

Short term bonus plans

A liability is recognised for short term bonus plans when the benefit calculations are formally documented and determined before signing the financial statements and past practice supports the calculation.

Other leave and non-monetary benefits

The cost associated with parental leave as well as non-monetary benefits such as car-parking, payments of professional memberships and discounts are recognised in the period in which the employee takes the benefits. A liability is not recognised for any non-accumulating benefits employees have not taken during the period.

b) Post-employment benefits (superannuation)

The Company contributes to both defined contribution and defined benefit superannuation funds. Contributions are charged to the profit and loss as the obligation to pay is incurred. Contributions outstanding at reporting date are treated as liabilities and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

For defined contribution funds, the Company pays contributions to publicly or privately administered pension insurance funds on a mandatory, contractual or voluntary basis. The Company's legal or constructive obligation is limited to these contributions. The defined benefit funds provide defined pension annuities and lump sum benefits based on years of service and final average salary.

The Company's net obligation in respect of defined benefit funds is calculated separately for each fund by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any fund assets.

The calculation of defined benefit obligations is performed annually by independent actuaries using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of the economic benefits available in the form of any future refunds from the fund or reductions in the future contributions to the fund. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on fund assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit funds are recognised in profit and loss.

When the benefits of a fund are changed or when a fund is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss in the period in which they arise.

c) Other long term employee benefits

Long service leave

A liability for long service leave is recognised in the statement of financial position, at the point the entitlement vests to the employee. The liability is measured at the amounts expected to be paid when the liabilities are settled.

Annual Leave

A liability for annual leave which will not be settled within 12 months after the reporting date is recognised in the statement of financial position. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Notes to the financial statements (continued)

d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts a voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

e) Share-based payments

The fair value of share-based payments is recognised as an expense on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value is calculated on grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest. The fair value of the share-based payments is based on the market price of the shares, dividend entitlements, and market vesting conditions (e.g. share price related performance criteria) upon which the shares were granted. Non-market vesting conditions (e.g. service conditions) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

29.13 Provisions

A provision is a liability of uncertain timing or amount which is recognised in the statement of financial position when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Company enters into financial arrangements to provide financial support, the Company considers these to be insurance arrangements or financial guarantees, as applicable. The Company treats the insurance arrangements as contingent liabilities until such time as it becomes probable that the Company will incur losses under the insurance arrangements. Financial guarantees are recognised at fair values, determined using cash flow forecasts to determine whether losses related to the financial guarantees have been incurred.

29.14 Deferred acquisition expenses

Deferred acquisition costs for life insurance contracts represent the fixed and variable costs of acquiring new business and include commissions, certain advertising and underwriting costs. These costs are implicitly deferred through Margin on Service (MoS) accounting and recognised in the statement of financial position as a reduction in life insurance contract liabilities. The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative.

All other acquisition costs are expensed as incurred.

Notes to the financial statements (continued)

29.15 Policy liabilities

a) Determination of policy liabilities

Liabilities to policyholders in the statement of financial position are measured on the Margin on Services basis (**MoS**) in accordance with New Zealand Society of Actuaries Professional Standard No. 20, "Determination of Life Insurance Policy Liabilities (**PS20**)". The movement in policy liabilities in the profit or loss is also calculated on a MoS basis.

b) Life insurance policy liabilities

Policy liabilities, arising from life insurance contracts, are measured at the net present value of estimated future cash flows in accordance with PS20. Policy liabilities are re-measured periodically and changes are recognised in profit or loss in a manner that allows for the systematic release of planned margins over a period that reflects the services provided, and premiums received from, the policyholders.

Expected future cash flows are reviewed to establish the present value of estimated future expenses for the Company of related products against the present value of estimated future revenues to test the adequacy of the policy liabilities.

Profit allocated to participating policyholders is recognised as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyholders (i.e. unvested) and that which has been allocated to specific policyholders by way of bonus distributions (i.e. vested) are included within life insurance contract liabilities.

The significant assumptions applied in calculating these estimates and the process and methodology used for determining these assumptions are included in Note 16.3.

c) Life investment policy liabilities

Policy liabilities, arising from life investment contracts, are recognised at fair value through profit or, which is based on the valuation of the linked assets, subject to a minimum of current surrender value.

29.16 Contributed capital

a) Ordinary shares

Ordinary shares are recognised as equity.

b) Preference shares

The preference shares do not exhibit the characteristics of debt in their terms of issue, repayment, or dividend payment and are therefore classified as equity.

c) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at reporting date.

Where a dividend is declared post reporting date but prior to the date of the issue of the financial reports, disclosure of the declaration is made in the financial statements but no provision is made.

29.17 Contingent liabilities and assets

Contingent liabilities are not recognised in the statement of financial position, but are disclosed in the financial statements unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

Contingent assets are not recognised in the statement of financial position, but are disclosed in the financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

Notes to the financial statements (continued)

29.18 Changes in accounting estimates and errors

a) Estimates

If a change in an accounting estimate gives rise to a change in an asset or liability, or relates to equity, it is recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change. Otherwise, it is recognised prospectively by including it in the profit and loss in the period of the change and future periods, as applicable.

b) Errors

Material prior period errors are corrected retrospectively (to the earliest date practicable) in the next issued financial statements by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liability and equity for the earliest prior period presented.

For retrospective application comparative information presented for a particular prior period need not be restated if restating the information is impracticable. When comparative information for a particular prior period is not restated, the opening balance of retained earnings for the next period is restated for the cumulative effect of the error before the beginning of that period.

c) New accounting standards and interpretations not yet adopted

NZ IFRS 9 Financial Instruments was issued and introduces changes in the classification and measurement of financial assets and financial liabilities, impairment of financial assets and new rules for hedge accounting. This standard becomes mandatory for the Company's 30 June 2019 financial statements. The potential effects on adoption of the standard are currently being assessed. It is available for early adoption but has not been applied by the Company in this financial report.

NZ IFRS 15 Revenue From Contracts With Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including among others *NZ IAS 18 Revenue* and *IFRIC 13 Customer Loyalty Programmes*. NZ IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The potential effects on adoption of the standard are currently being assessed. It is available for early adoption but has not been applied by the Company in this financial report.

30. Subsequent events

There were no material events post 30 June 2015 which would require adjustment to the amounts reflected in the 30 June 2015 financial statements or disclosures thereto.

To the Board of Directors of Asteron Life Limited

Appointed Actuary's Report as at 30 June 2015

Background

This report has been prepared by Daniel Wong BA MMgt FIAA FNZSA, Appointed Actuary of Asteron Life Limited ("the company") under section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act).

The purpose of this report is to provide information to the Board and management regarding the review I have undertaken in relation to the actuarial information (as described in section 77 of the Act) in, or used in the preparation of, the company financial statements.

This report has not been prepared with any additional purposes in mind and the results and opinions contained within may not be applicable or appropriate for other purposes.

Directors' responsibility for the company financial statements

The Directors are responsible for the preparation of the company's financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of company's financial statements that are free from material misstatement whether due to fraud or errors.

Appointed Actuary's responsibility

My responsibility is to review the actuarial information in, or used in the preparation of, the company's financial statements. The financial statements comprise the statements of financial position as at 30 June 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

My review involves:

- Ascertaining the completeness of the actuarial information
- Evaluating the accuracy and appropriateness of the actuarial information
- Providing an opinion of whether the solvency margins for the company and its life funds (including statutory fund(s)) are maintained at the balance date.

I am an employee of the company and have no other relationship with, or interest in, the company.

Opinion

In accordance with the requirements of sections 77 and 78 of the Act, I report that:

- I have obtained all information that is relevant to the preparation of the financial statements; and
- In my opinion and from an actuarial perspective:
 - the actuarial information contained in the company's financial statements has been appropriately included;
 - the actuarial information contained in the company's financial statements has been accurate and used appropriately;
 - the company maintains a solvency margin in accordance with the Solvency Standard for Life Insurance Business 2014 for the purposes of section 21(2)(b) of the Act as at 30 June 2015; and
 - the company maintains, in respect of its Asteron Life Statutory Fund 1 and Life Fund a solvency margin in accordance with the Solvency Standard for Life Insurance Business 2014 for the purposes of section 21(2)(c) of the Act as at 30 June 2015.

A handwritten signature in blue ink, appearing to read "Daniel Wong".

Daniel Wong BA MMgt FIAA FNZSA

Appointed Actuary

20 July 2015