Asteron Life Limited

Financial report
for the financial year ended 30 June 2018

Asteron Life Limited

Financial report

for the financial year ended 30 June 2018

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Directors' report

The Board of Directors presents the Directors' report together with the financial report of Asteron Life Limited (the **Company**) for the financial year ended 30 June 2018.

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
D M Flacks
A R Gerry
G T Ricketts (Chairman)
Executive
M A Cameron
P W Smeaton

Registered office
Level 13, Asteron Centre
55 Featherston Street
Wellington 6011
New Zealand

Auditor
KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

Dividends

During the financial year, the Company paid dividends totalling $44,500,000 (2017: $21,000,000). 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 2018 of $39,922,000 compared with a net profit after tax of $38,108,000 for the year ended 30 June 2017.

Events subsequent to reporting date

There is, at the date of this Report, no matter or circumstance that has arisen since 30 June 2018 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

Michael A Cameron

FCPA, FCA, FAICD, BBus (Accounting)

Director and the CEO & Managing Director of Suncorp Group since October 2015. Prior to this he was a non-executive Director of Suncorp Group Limited for three years. Mr Cameron has extensive domestic and international experience in business, including as a senior executive across financial services and property industries. Mr Cameron is an experienced Director having served on a number of ASX and not-for-profit boards.

David M Flacks

BA, MA, St John's College, University of Cambridge

Director since September 2015. Mr Flacks is an experienced governance and regulatory professional having been a senior corporate lawyer for many years. He is chair of a number of company boards as well as the Regulatory Governance Committee of the NZX.

He is also a director of Vero Insurance New Zealand Limited and its subsidiary Vero Liability Insurance Limited (related companies of Asteron Life Limited).

Alison R Gerry

MAPPFIn, BMS(Hons)

Director since July 2015. Ms Gerry is an experienced professional director who has significant financial, commercial, governance and strategic experience in the financial services sector in New Zealand, Australia, London and Hong Kong. Ms Gerry is also a director of Vero Insurance New Zealand Limited and Vero Liability Insurance Limited and chairs the Board Audit & Risk Committees of those companies.

Geoffrey T Ricketts CNZM

LLB (Hons), LLD (honoris causa), FInstD

Director since 1992. Mr Ricketts is a commercial lawyer, having been a partner of a major New Zealand law firm for over 25 years. He has extensive experience in New Zealand and Australia.

He is also a director of a number of other companies. He is also the Chairman of Vero Insurance New Zealand Limited and Vero Liability Insurance Limited.

Paul W Smeaton

BBM, MAICD

Director since May 2016 and Chief Executive Officer since March 2016. Mr Smeaton has been with Suncorp since 1997 and has over 30 years' financial services experience, having worked in banking, insurance, funds management and stock broking. Mr Smeaton is CEO of Suncorp New Zealand and is also a director of Vero Insurance New Zealand Limited, and its subsidiaries, Vero Liability Insurance Limited and AA Insurance Limited.

Mr Smeaton is also on the board of the Insurance Council of New Zealand.

The financial report of the Company was approved for issue by the Board on 31 July 2018.

Signed in accordance with a resolution of the Directors.

Director

Director

Corporate governance statement

Introduction

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

The operations of the Company are delivered by the Suncorp New Zealand (**SNZ**) operating model. Under this model, SNZ conducts the general insurance and life insurance business for Suncorp's wholly-owned general and life insurer entities in New Zealand, managed by one leadership team.

This corporate governance statement contains an outline of the principal corporate governance practices, policies and processes of the Company.

The Board believes that high standards of corporate governance are essential for achieving business objectives and creating value for all stakeholders. The Board understands the important role it plays in Suncorp's social licence to operate, corporate culture and corporate governance.

The Board is committed to maintaining a robust corporate governance framework and a corporate culture that values ethical behaviour and integrity. The Board is responsible for the corporate governance framework which operates under Board-approved policies, charters and practices.

Board of Directors

At the date of this Statement, the Company had five Directors. Three of the Directors are independent non-executive Directors (Geoffrey Ricketts, Alison Gerry and David Flacks), while two are executive Directors (Michael Cameron, who is also a Director and the CEO & Managing Director of Suncorp Group, and Paul Smeaton, who is also the CEO of SNZ). Geoffrey Ricketts is the Chairman of the Board. Brief details of the Directors' qualifications and experience are set out in the Directors' Report.

The Directors of the Company are appointed by the Suncorp Board. Factors that are taken into account when considering a new appointment to the Board include the size of the Board, its composition and diversity, 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 a fresh perspective to the Board.

The key skills, experience and qualities required for the effective management of the business are incorporated in a Board skills matrix. This is used as part of the annual Board performance evaluation process.

The independence of the non-executive Directors is assessed in accordance with criteria adopted by the Board and the Governance Guidelines issued by the Reserve Bank of New Zealand for licensed insurers.

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.

Ongoing Director education sessions are provided on topical issues and matters that require technical or specialist knowledge.

The Board has adopted a Fit and Proper Policy. Each Director has met the requirements and criteria in this Policy and must complete an annual fit and proper declaration which is approved by the Board.

Corporate governance statement (continued)

Role of the Board

The Board of Directors is responsible for the overall performance of the Company. The Board has delegated the day-to-day operation and management of the Company to the SNZ CEO.

Under the Company's constitution, each Director is required to act in the best interests of the Company. Other 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.

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 regularly review its charter and its continued adequacy.

The Board currently meets five times each calendar year. Additional Board meetings are held as required.

The Board also meets annually with SNZ senior executives to consider strategic matters.

The Board approves an annual programme of work and this is used as a guide to the preparation of the agenda for each scheduled Board meeting.

The Board approves the strategic direction of the Company and monitors executive management's performance in the implementation and achievement of strategic and business objectives. This is achieved through the receipt of regular reports from management. Other matters that are approved by the Board include the SNZ Risk Appetite Statement (insofar as it relates to the Company), the Company's Internal Capital Adequacy Assessment Process (**ICAAP**), dividend payments, financial statements and solvency returns, major operating and capital expenditure which exceeds management's limits, and the financial performance outcomes for the Company's senior executives.

Governance

As part of the Suncorp Group, the Company complies with Suncorp's policies and requirements, except where these are inconsistent with the requirements of New Zealand law, regulatory requirements or where the Board considers that they are not in the best interests of the Company. The Board of the Company has adopted a number of Suncorp's policies and frameworks (amended to reflect New Zealand requirements where appropriate). These include the Conflict of Interest Policy, Business Continuity Management Policy, Enterprise Risk Management Framework, the Whistleblower Policy, Product and Platform Management Policy, Investment Governance Policy, Securities Trading Policy, Equal Employment Opportunity and Diversity Policy, and Safety and Wellbeing Policy. Directors are also required to abide by Suncorp's Code of Conduct.

The Company has also adopted SNZ specific policies, standards and guidelines where appropriate.

Strategy and Culture

Suncorp Group's purpose is to create a better today for its customers, shareholders, communities and its people. Its vision is to help people live the life they want now and plan for the life they want tomorrow.

Suncorp's strategic priorities are to Elevate the Customer, Inspire its People and Drive Momentum and Growth. These are underpinned by the One Suncorp operating model and culture and behaviours.

SNZ is aligned with Suncorp's purpose, vision, priorities, operating model and cultural behaviours. SNZ's strategy is centred around connecting New Zealanders to products, services and experiences that enhance and protect their financial wellbeing. Its vision is aligned with Suncorp Group: to be the number one choice for New Zealanders.

Suncorp's culture is the aggregation of observed behaviours across all employees, driven by shared values, beliefs, symbols and systems. The behaviours that are needed to deliver targeted stakeholder

Corporate governance statement (continued)

outcomes are described in the behavioural framework, called Our Compass. This sets out the primary behavioural expectations that the Board believes form a foundation for successful performance.

All employees have balanced performance scorecards that, in addition to financial performance targets, include customer, risk, and people focused deliverables and also include evaluation of performance in terms of the SNZ Compass of behaviours. SNZ Compass behaviours are: Think Big, Kick Goals, Show You Care and Be Your Best.

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. The majority of members of the BARC are independent. The Chair of the BARC is Alison Gerry, an independent Director of the Company, who has a finance background.

The BARC is required to meet not less than four times a year. The BARC has an annual Board-approved programme of work which is used as a guide to the preparation of each scheduled BARC meeting agenda. The BARC receives regular reports from senior SNZ executives including the Head of Risk and the Chief Financial Officer. Regular reports are also received from Suncorp Internal Audit (which provides independent and objective internal audit services to Suncorp), and the Company's external auditor. Other attendees of BARC meetings include the SNZ CEO and representatives from SNZ's Risk and Finance functions, Suncorp Internal Audit and the external auditor. The BARC reviews and makes recommendations to the Board on matters such as SNZ's Risk Appetite Statement, its annual business licence, ICAAP, investment strategy and mandate reviews, financial statements and solvency returns. The Board receives the minutes of each BARC meeting and an update from the BARC Chair on its activities.

Under the terms of its charter, the BARC is required to regularly review its charter and its continuing adequacy. The BARC is also required to evaluate its performance and the extent to which it has met the requirements of its charter. These findings are reported to the Board.

Information on the Company's approach to Risk Management is contained in Note 21.

Corporate governance statement (continued)

Corporate Responsibility

Suncorp and the Company believe in conducting business in a way that protects and sustains the environment for current and future generations, and are actively working to minimise the impact of their activities.

Creating and preserving value for all of Suncorp's stakeholders is fundamental to their approach to corporate responsibility. Suncorp and the Company continually strive to improve their business practices to optimise outcomes, earn trust and maintain their social licence to operate.

Action on Climate Change

Suncorp's Climate Change Action Plan has been adopted by the Board of the Company. This defines how the Suncorp Group will work with its customers and communities to support a transition to a net-zero carbon emissions economy by 2050 through commitments to:

1. Strengthen governance processes (including assessment of climate risk)
2. Reduce environmental footprint
3. Increase community resilience
4. Accelerate emerging opportunities and climate-related innovation
5. Track and openly disclose climate-related performance.

Key areas of focus will be adapting to the physical impacts of climate change - severe weather events, rising sea levels and shifting temperature zones, responsible financial services practices, responsible investment and governance and reporting.

Community Involvement

The Suncorp Brighter Futures Community Giving Programme empowers employees to make a difference to causes they feel passionate about. Through Brighter Futures, Suncorp employees have a range of opportunities to get involved, give and share by volunteering, fundraising, and matched giving.

This year, the Company has invested in community partnerships with Shine and Grandparents Raising Grandchildren – charities that address issues that matter most to SNZ employees, and will form the focus of the Company's fundraising efforts in the coming year.

The Suncorp Brighter Futures Dollar Matching programme will match the fundraising amounts of employees, up to $1,000 for individuals and $2,500 for teams, to a registered charity in New Zealand or Australia. Employees' volunteering efforts outside of work are also eligible for dollar matching.

Employees may also take one day of paid volunteer leave each year to support local community projects.

Diversity & Inclusion

The Company's goal is to attract diverse talent, to build leadership capability to enable employees to realise their full potential.

The Suncorp Diversity Council is focussed on delivering these objectives by:

- Creating and overseeing a diversity strategy
- Recommending initiatives to support greater gender diversity
- Tracking progress including creating targets and regular scorecards
- Promoting and championing diversity

SNZ's Diversity Council is chaired by the SNZ CEO.

Independent Auditor's Report

To the shareholder of Asteron Life Limited

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Asteron Life Limited (the Company) on pages 11 to 62 :

i. present fairly in all material respects the Company's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

— the statement of financial position as at 30 June 2018;

— the statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the Company and its related party managed funds in relation to audit and other 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.

Other information

The Directors, on behalf of the Company, are responsible for the other information included in the entity's Director's Report and Corporate Governance Statement. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Company, 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;

— implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

— to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/

This description forms part of our independent auditor's report.

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

For and on behalf of

KPMG
Auckland

31 July 2018

Statement of comprehensive income
for the financial year ended 30 June 2018

	Note	2018	2017
		$'000	$'000
Premium revenue	5	238,020	225,607
Outwards reinsurance premium expense		(37,832)	(34,407)
Net premium revenue		200,188	191,200
Investment revenue	5	48,444	28,029
Net revenue		248,632	219,229
Claims expense	6	(121,508)	(104,439)
Reinsurance recoveries revenue	5	32,284	21,903
Net claims expense	6	(89,224)	(82,536)
Policy acquisition expenses	6	(46,892)	(52,852)
Policy maintenance expenses	6	(39,238)	(36,835)
Investment management expenses	6	(1,297)	(1,336)
Change in insurance contract liabilities	6,15.1	8,568	27,279
Change in policy liabilities ceded under reinsurance	6,15.1	1,481	(1,639)
Change in investment contract liabilities	6,15.1	(21,087)	(13,289)
Change in unvested policyholder liabilities	6,15.1	(430)	(2,018)
Total management expenses and policy liability movements		(98,895)	(80,690)
Net claims and expenses	6	(188,119)	(163,226)
Profit before tax		60,513	56,003
Income tax expense	7.1	(20,591)	(17,895)
Profit for the financial year attributable to owner of the Company	4, 26	39,922	38,108
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit funds		693	(442)
Income tax expense	7.1	(19)	(122)
Total other comprehensive income/(loss)		674	(564)
Total comprehensive income for the financial year attributable to owner of the Company		40,596	37,544

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

Statement of financial position
as at 30 June 2018

	Note	2018	2017
		$'000	$'000
Assets			
Cash and cash equivalents		**12,525**	18,001
Trade and other receivables	8	**18,172**	36,914
Related party receivables	23.2	**1,221**	218
Other assets	8	**2,645**	2,744
Current tax receivable	7.3	**-**	4,403
Investment securities	9	**599,475**	583,985
Derivatives assets	10	**9,232**	7,515
Reinsurance recoveries receivable	11	**45,878**	44,489
Policyholder loans		**5,369**	5,402
Policy assets	15.1	**11,397**	-
Policy liabilities ceded under reinsurance	15.1	**14,877**	13,396
Loans and other receivables	8	**13**	17
Deferred tax assets	7.4	**1,899**	1,994
Defined benefit schemes surplus	13	**823**	255
Total assets		**723,526**	719,333
Liabilities			
Payables and other liabilities	12	**15,909**	11,030
Related party payables	23.2	**6,294**	3,780
Current tax payable	7.3	**6,595**	-
Derivatives liabilities	10	**99**	-
Outstanding claims liabilities	14	**147,015**	142,813
Policy liabilities	15.1	**-**	17,805
Deferred tax liabilities	7.4	**119,758**	112,251
Defined benefit schemes deficit	13	**4,190**	4,084
Total liabilities		**299,860**	291,763
Net assets		**423,666**	427,570
Equity			
Share capital	16	**235,104**	235,104
Retained profits		**188,562**	192,466
Total equity	26	**423,666**	427,570

The Board of Directors of Asteron Life Limited approved these financial statements for issue on 31 July 2018.

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 2018

	Note	Share Capital $'000	Retained Profits $'000	Total Equity $'000
Balance as at 1 July 2016		235,149	175,922	411,071
Profit for the financial year	4	-	38,108	38,108
Total other comprehensive loss		-	(564)	(564)
Total comprehensive income for the financial year		-	37,544	37,544
Transactions with owner, recorded directly in equity				
Dividends paid	3	-	(21,000)	(21,000)
Share-based payments	16	(45)	-	(45)
Balance as at 30 June 2017		**235,104**	**192,466**	**427,570**
Profit for the financial year	4	**-**	**39,922**	**39,922**
Total other comprehensive income		**-**	**674**	**674**
Total comprehensive income for the financial year		**-**	**40,596**	**40,596**
Transactions with owner, recorded directly in equity				
Dividends paid	3	**-**	**(44,500)**	**(44,500)**
Balance as at 30 June 2018		**235,104**	**188,562**	**423,666**

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

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Statement of cash flows
for the financial year ended 30 June 2018

	Note	2018	2017
		$'000	$'000
Cash flows from operating activities			
Premiums received		**243,153**	233,792
Reinsurance premiums paid		**(37,848)**	(34,415)
Policy payments		**(164,877)**	(130,145)
Reinsurance and other recoveries received		**29,533**	24,137
Operating expenses paid		**(36,985)**	(42,449)
Agents commission and bonuses paid		**(47,819)**	(51,942)
Equity distributions received		**4,983**	6,452
Interest received		**16,918**	16,283
Income tax paid*		**(2,010)**	(10,205)
Net movement in goods and services tax		**(60)**	41
Net cash from operating activities	19	**4,988**	11,549
Cash flows from investing activities			
Proceeds from the sale of investments		**607,353**	407,015
Purchase of investments		**(573,354)**	(385,613)
Repayments of policy loans		**33**	450
Repayments of other loans		**4**	16
Net cash from investing activities		**34,036**	21,868
Cash flows used in financing activities			
Dividends paid	3	**(44,500)**	(21,000)
Net cash used in financing activities		**(44,500)**	(21,000)
Net (decrease)/increase in cash and cash equivalents		**(5,476)**	12,417
Cash and cash equivalents at the beginning of the financial year		**18,001**	5,584
Cash and cash equivalents at end of the financial year		**12,525**	18,001

* Income tax paid includes cash flows from tax offsets and deferred tax asset transfers with related parties.

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 2018 were issued by the Board of Directors on 31 July 2018.

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 28. There have been no significant changes to accounting policies during the financial year.

The reporting period is from 1 July 2017 to 30 June 2018.

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, Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010. They also comply with International Financial Reporting Standards (**IFRS**).

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Notes to the financial statements (continued)

2.2 New or amended standards adopted during the financial year

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 net movement in goods and services tax has been reclassified from operating expenses paid to a separate line in the statement of cash flows to provide a more informative view of the cashflows of the Company.

Amounts disclosed as lease commitments in Note 22 have been updated to exclude operating expenditure which is not part of the minimum lease payment amounts.

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.

a) Uncertainty over valuation of life insurance policy liabilities and outstanding claim 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; and
- 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 15.3.

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 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

	2018		2017	
	¢ per share	$'000	¢ per share	$'000
Ordinary shares				
Dividends paid	**27**	**44,500**	13	21,000
Total dividends recognised in equity	**27**	**44,500**	13	21,000

4. Sources of operating profit

	2018	2017
	$'000	$'000
Profit for the financial year arose from:		
Planned margins of revenues over expenses released	**34,443**	32,415
Difference between actual and assumed experience	**(4,585)**	2,931
Investment earnings on assets in excess of policyholder liabilities	**10,064**	2,762
Profit for the financial year	**39,922**	38,108

The participating policyholders profit, as included in the movement in policyholder liabilities for the year ended 30 June 2018, was $0.7 million (2017: $2.6 million).

5. Revenue

	2018	2017
	$'000	$'000
Insurance income		
Premiums received or receivable	**243,416**	233,188
Premiums recognised as a change in gross policy liabilities (Note 15.1)	**(5,396)**	(7,581)
Premium revenue	**238,020**	225,607
Reinsurance recoveries revenue	**32,284**	21,903
Total insurance revenue	**270,304**	247,510
Investment income		
Interest income:		
Interest bearing securities	**16,399**	16,124
Other	**443**	413
Dividends	**4,986**	6,438
Changes in fair value of financial assets:		
Investments	**24,898**	10,103
Derivatives - realised and unrealised gains/(losses)	**1,718**	(5,049)
Investment revenue	**48,444**	28,029
Total revenue	**318,748**	275,539

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

	2018 $'000	2017 $'000
Claims expenses		
Death and terminal illness	**73,342**	56,732
Disability	**38,897**	38,209
Annuities	**1,253**	1,332
Maturities	**4,734**	5,200
Surrenders and withdrawals	**50,182**	33,505
Claims handling expenses	**647**	797
Gross claims expenses	**169,055**	135,775
Less: Savings product claims disclosed as a change in policy liabilities (Note 15.1)	**(47,547)**	(31,336)
Total claims expense	**121,508**	104,439
Reinsurance recoveries	**(32,284)**	(21,903)
Net claims expense	**89,224**	82,536
Acquisition expenses		
Management expenses	**20,280**	20,194
Commission expenses	**26,612**	32,658
Total acquisition expenses	**46,892**	52,852
Maintenance expenses		
Management expenses	**17,397**	17,576
Commission expenses	**21,841**	19,259
Total maintenance expenses	**39,238**	36,835
Investment management expenses	**1,297**	1,336
Change in unvested policy liabilities (Note 15.1)	**430**	2,018
Change in insurance policy liabilities (Note 15.1)	**(8,568)**	(27,279)
Change in policy liabilities ceded under reinsurance (Note 15.1)	**(1,481)**	1,639
Change in investment contract liability benefits (Note 15.1)	**21,087**	13,289
Net claims and expenses	**188,119**	163,226
Included within net claims and expenses are the following specific items:		
Contributions to defined contribution superannuation schemes	**-**	204
Employee benefits	**-**	3,983
Movement in provision for bad and doubtful debts (Note 8)	**(248)**	197
Operating lease rental expenses	**1,612**	1,644

During the year ended 30 June 2017, a related entity Suncorp NZ Employees Limited (**SNZEL**) was established to act as the employer for certain Suncorp New Zealand companies. The Company is now recharged for employee-related costs instead of incurring them directly as in prior periods.

Notes to the financial statements (continued)

7. Income tax

7.1 Income tax expense

	2018	2017
	$'000	$'000
Profit before tax	**60,513**	56,003
Prima facie income tax at 28%	**16,944**	15,681
Movement in income tax expense due to:		
Difference due to life insurance tax basis	**10,151**	5,295
Non-taxable gains on revaluation of financial assets	**(4,714)**	(1,492)
Non-deductible expenditure	**23**	30
Non-taxable dividends	**(1,219)**	(1,624)
Non-taxable revenue	**-**	(72)
Imputation credits	**(546)**	(739)
Other	**(166)**	(241)
Adjustment for prior years	**118**	1,057
Income tax expense	**20,591**	17,895
Income tax expense recognised in profit consists of:		
Current tax expense		
Current year	**12,301**	8,753
Adjustments for prior financial years	**707**	472
Total current tax	**13,008**	9,225
Deferred tax expense		
Current year	**8,172**	8,085
Adjustments for prior financial years	**(589)**	585
Total deferred tax	**7,583**	8,670
Income tax expense	**20,591**	17,895
Income tax expense recognised in other comprehensive income		
Income tax expense on actuarial gains/(losses) on defined benefit funds	**19**	122

7.2 Imputation credits

	2018	2017
	$'000	$'000
SGHNZ ICA Group		
Imputation credits available for use in subsequent reporting periods	**241,072**	202,422

Together with other Suncorp entities, the Company is a member of the Suncorp Group Holdings (NZ) Limited imputation credit account group (SGHNZL ICA Group). All members of the SGHNZL ICA Group have access to the accumulated imputation credits contained within this SGHNZL ICA Group.

Notes to the financial statements (continued)

7.3 Current tax

	2018 $'000	2017 $'000
Balance at the beginning of the financial year	4,403	2,580
Income tax paid net of refunds	2,003	10,900
Current year tax on operating profit	(12,301)	(8,753)
Adjustment for prior financial years	(707)	(472)
Transfers between related parties	7	148
Balance at the end of the financial year	(6,595)	4,403

7.4 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 liability is detailed below:

	2018 $'000	2017 $'000
Deferred tax assets are attributable to:		
Defined benefit scheme deficit	1,173	1,144
Depreciable and amortisable assets	2	2
Trade creditors and other payables	724	848
Total deferred tax assets	1,899	1,994
Deferred tax liabilities are attributable to:		
Deferred tax in policyholder liabilities (Note 15.2)	(119,566)	(111,481)
Investments	(192)	(770)
Total deferred tax liabilities	(119,758)	(112,251)
Net deferred tax liability	(117,859)	(110,257)
Expected to crystallise within 12 months	534	80
Expected to crystallise in greater than 12 months	1,173	1,144
Policyholder liabilities	(119,566)	(111,481)
Net deferred tax liability	(117,859)	(110,257)
Movements		
Deferred tax assets		
Balance at the beginning of the financial year	1,994	2,868
Charged to profit or loss	(76)	91
Transfers between related parties	-	(843)
Recognised in other comprehensive income	(19)	(122)
Balance at the end of the financial year	1,899	1,994
Deferred tax liabilities		
Balance at the beginning of the financial year	(112,251)	(103,490)
Charged to profit or loss	(7,507)	(8,761)
Balance at the end of the financial year	(119,758)	(112,251)

Notes to the financial statements (continued)

7.5 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

	2018 $'000	2017 $'000
Trade and other receivables		
Premiums due	1,183	467
Trade and investment receivables	4,073	24,397
Amounts due from reinsurers	12,224	11,056
Other receivables	838	1,388
Provision for bad and doubtful debts	(146)	(394)
Total trade and other receivables	18,172	36,914
Other assets		
Accrued income	2,633	2,477
Prepaid expenses	12	267
Total other assets	2,645	2,744
Loans and other receivables		
Other loans	13	17
Loans and other receivables	13	17
Total receivables	20,830	39,675
Current	20,830	39,500
Non-current	-	175
Total receivables	20,830	39,675
Movements in provision for bad and doubtful debts		
Balance at the beginning of the financial year	394	197
Provision increase during the financial year	-	197
Provision decrease during the financial year	(248)	-
Balance at the end of the financial year	146	394

Trade and investment receivables at 30 June 2017 include investment receivables of $24 million relating to the disposal of investment assets to meet claims in respect of the wind-up of a superannuation scheme managed by a related party which holds unit linked policies issued by the Company.

Notes to the financial statements (continued)

9. Investment securities

	2018 $'000	2017 $'000
Financial assets at fair value through profit or loss		
Interest bearing securities		
Debentures and corporate bonds	138,131	131,200
Government and semi-government securities	152,270	120,545
Discounted securities*	52,565	68,147
Total interest bearing securities	342,966	319,892
Equities	13,205	14,554
Unit trusts	243,304	249,539
Total investment securities	599,475	583,985

* Discounted securities include floating rate notes, term deposits and commercial papers.

10. Derivative financial instruments

	2018			2017		
	Notional value	Fair value		Notional value	Fair value	
		Asset	Liability		Asset	Liability
	$'000	$'000	$'000	$'000	$'000	$'000
Forward foreign exchange contracts	3,259	-	99	2,661	44	-
Interest rate swaps	131,000	9,232	-	131,000	7,471	-
Total derivatives	134,259	9,232	99	133,661	7,515	-

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 (2017: $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

	2018 $'000	2017 $'000
Reinsurance recoveries receivable	45,878	44,489
Current	7,210	6,727
Non-current	38,668	37,762
Total reinsurance recoveries receivable	45,878	44,489

12. Payables and other liabilities

	2018 $'000	2017 $'000
Trade creditors and accruals	8,831	3,536
Collateral	5,340	5,610
Amounts due to reinsurers	1,738	1,754
Other creditors	-	130
Total payables and other liabilities	15,909	11,030
Current	15,909	11,030
Total payables and other liabilities	15,909	11,030

Floating rate interest bearing collateral is held in relation to the interest rate swaps with Westpac Banking Corporation as disclosed in Note 10, and is subject to ISDA Credit Support Annex and other standard industry terms. The collateral is subject to interest based on the daily official cash rate.

Notes to the financial statements (continued)

13. Defined benefit schemes

	2018 $'000	2017 $'000
Defined benefit scheme surplus	823	255
Defined benefit scheme deficit	(4,190)	(4,084)
Net defined benefit scheme liability	3,367	3,829
Non-current	3,367	3,829
Total	3,367	3,829

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.

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

	2018			2017		
	Surplus $'000	Deficit $'000	Net $'000	Surplus $'000	Deficit $'000	Net $'000
Vero & Asteron New Zealand Staff Pension Scheme	-	(4,190)	(4,190)	-	(4,084)	(4,084)
Guardian Assurance Superannuation Plan	823	-	823	255	-	255
Total net defined benefit liability	823	(4,190)	(3,367)	255	(4,084)	(3,829)

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 replaced the Superannuation Schemes Act 1989) governs the superannuation industry and provides the framework within which superannuation funds operate. The Act requires an actuarial valuation to be performed for each defined benefit superannuation fund at least every three years.
- The Trustees of each fund are responsible for the governance of the fund. 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 fund assets when required in accordance with the fund rules;
  - Management and investment of the fund 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 fund 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 fund will live longer than assumed, increasing the number of pension payments and thereby requiring additional company contributions; and
  - Legislative risk – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

Notes to the financial statements (continued)

13.1 Defined benefit superannuation funds (continued)

- 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 or curtailments during the year. The redundancy payment made to a Vero & Asteron New Zealand Staff Pension Scheme member has been treated as a settlement.

a) Present value of superannuation commitments

	2018	2017
	$'000	$'000
Fair value of fund assets at the end of the financial year	**35,844**	35,133
Defined benefit obligations at the end of the financial year	**(37,470)**	(37,698)
Asset ceiling	**(629)**	-
Adjustments for contributions tax	**(1,112)**	(1,264)
Net liability recognised in the statement of financial position	**(3,367)**	(3,829)

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

b) Reconciliation of movements

	2018	2017
	$'000	$'000
Changes in the fair value of fund assets		
Balance at the beginning of the financial year	**35,133**	36,290
Interest income	**1,115**	949
Actual return on plan assets less interest income	**2,142**	842
Contributions	**18**	25
Benefits paid	**(2,466)**	(2,434)
Premiums and expenses paid	**(98)**	(73)
Settlements	**-**	(466)
Balance at the end of the financial year	**35,844**	35,133
Changes in the present value of defined benefit fund obligations		
Balance at the beginning of the financial year	**(37,698)**	(37,280)
Current service cost	**(83)**	(153)
Interest expense	**(1,205)**	(975)
Actuarial losses arising from changes in financial assumptions	**(700)**	(1,206)
Actuarial losses arising from liability experience	**(348)**	(1,298)
Benefits paid	**2,466**	2,434
Premiums and expenses paid	**98**	73
Settlements	**-**	707
Balance at the end of the financial year	**(37,470)**	(37,698)
Effect of the asset ceiling		
Balance at the beginning of the financial year	**-**	(1,330)
Interest on effect of asset ceiling	**-**	(36)
Change in effect of asset ceiling (excluding interest)	**629**	1,366
Balance at the end of the financial year	**629**	-

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Notes to the financial statements (continued)

c) Categories of fund assets

	2018	2017
	%	%
Major categories of fund assets as a percentage of total fund assets		
Equity	**33.8**	48.6
Fixed income	**60.2**	45.2
Other	**1.4**	1.6
Cash	**4.6**	4.6
	100.0	100.0

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

A review of the strategic asset allocation is undertaken periodically with the last review being completed in October 2017. 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 funds are as follows:

	2018	2017
	%	%
Vero & Asteron New Zealand Staff Pension Scheme		
Discount rate (gross of tax)	**3.2**	3.5
Future salary increases	**2.25 for 3 years then 2.5 thereafter**	**2.25 for 2 years then 2.5 thereafter**
Guardian Assurance Superannuation Plan		
Discount rate (gross of tax)	**3.1**	3.3
Future salary increases	**N/A**	N/A

Mortality assumptions are based on the New Zealand Life Tables 2012-2014 with a one-year age setback and an age related future mortality improvement scale, starting from 2013 (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:

	2018	2017
Vero & Asteron New Zealand Staff Pension Scheme	**13**	13
Guardian Assurance Superannuation Plan	**11**	10

Notes to the financial statements (continued)

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 through other comprehensive income by the amounts shown below:

	2018	2018
	Increase	Decrease
	$'000	$'000
Discount rate movement (100 basis points)	(3,550)	4,262
Future salary increases (100 basis points)	9	(9)
One year movement in life expectancy	1,712	(1,683)

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.

For the Vero & Asteron New Zealand Staff Pension Scheme, other Suncorp Group entities also participate in the fund. The most recent statutory review was carried out as at 31 March 2017. The employers are currently contributing at a rate of 20% of active members' salaries (inclusive of contribution tax). In addition, currently each year lump sum contributions are considered; the amounts are subject to review by the trustees and employers following the actuary's interim actuarial advice. The most recent lump sum was $950,000 (inclusive of contribution tax) made in the year to 30 June 2016.

For the Guardian Assurance Superannuation Plan the most recent statutory review was carried out as at 30 June 2015 and on the basis of that review no employer contributions are currently required. A statutory review is being carried out as at 31 March 2018 but has not yet been reported.

The company intends to contribute $15,000, via a related entity Suncorp NZ Employees Limited, to the defined benefit funds in the financial year ending 30 June 2019, being 20% of active members' salary in the Vero & Asteron New Zealand Staff Pension Scheme.

14. Outstanding claims liabilities

	2018	2017
	$'000	$'000
Outstanding claims liabilities	147,015	142,813
Current	47,459	44,141
Non-current	99,556	98,672
Total outstanding claims liabilities	147,015	142,813

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Notes to the financial statements (continued)

15. Life policy liabilities

15.1 Net policy liabilities/(assets)

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

	Liability/(Asset)				Asset	Net
	Insurance contracts $'000	Investment contracts $'000	Unvested policyholders benefit $'000	Total gross policy liabilities $'000	Gross policies ceded under reinsurance $'000	Net policy liabilities $'000
Balance as at 30 June 2016	(191,214)	221,272	23,474	53,532	15,035	38,497
Movement in policy liabilities reflected in profit or loss	(27,279)	13,289	-	(13,990)	(1,639)	(12,351)
Contributions and premiums recognised in policy liabilities	-	7,581	-	7,581	-	7,581
Withdrawals and claims expense recognised in policy liabilities	-	(31,336)	-	(31,336)	-	(31,336)
Movement in unvested policyholder benefits	-	-	2,018	2,018	-	2,018
Balance as at 30 June 2017	(218,493)	210,806	25,492	17,805	13,396	4,409
Current	(19,349)	-	-	(19,349)	4,727	(24,076)
Non-current	(199,144)	-	25,492	(173,652)	8,669	(182,321)
Investment contract	-	210,806	-	210,806	-	210,806
Balance as at 30 June 2017	**(218,493)**	**210,806**	**25,492**	**17,805**	**13,396**	**4,409**
Movement in policy liabilities reflected in profit or loss	**(8,568)**	**21,087**	**-**	**12,519**	**1,481**	**11,038**
Contributions and premiums recognised in policy liabilities	**-**	**5,396**	**-**	**5,396**	**-**	**5,396**
Withdrawals and claims expense recognised in policy liabilities	**-**	**(47,547)**	**-**	**(47,547)**	**-**	**(47,547)**
Movement in unvested policyholder benefits	**-**	**-**	**430**	**430**	**-**	**430**
Balance as at 30 June 2018	**(227,061)**	**189,742**	**25,922**	**(11,397)**	**14,877**	**(26,274)**
Current	**(26,994)**	**-**	**-**	**(26,994)**	**6,179**	**(33,173)**
Non-current	**(200,067)**	**-**	**25,922**	**(174,145)**	**8,698**	**(182,843)**
Investment contract	**-**	**189,742**	**-**	**189,742**	**-**	**189,742**
Balance as at 30 June 2018	**(227,061)**	**189,742**	**25,922**	**(11,397)**	**14,877**	**(26,274)**

Notes to the financial statements (continued)

15.2 Components of life insurance contract liabilities

	Note	2018 $'000	2017 $'000
Best estimate liability			
Value of future policy benefits [1]		1,327,855	1,308,901
Value of future expenses		821,155	781,877
Balance of future premiums		(2,623,063)	(2,585,137)
Total best estimate liability		(474,053)	(494,359)
Value of future profits			
Policyholder bonuses [2]		3,582	7,402
Shareholder profit margins		348,099	366,549
Total value of future profits		351,681	373,951
Deferred tax liability in policyholder liabilities	7.4	(119,566)	(111,481)
Net insurance policy liabilities net of deferred tax		(241,938)	(231,889)
Life insurance reinsurance ceded		14,877	13,396
Gross insurance contract policy liabilities		(227,061)	(218,493)
Policy liabilities subject to capital guarantee		10,098	11,234

Notes

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

15.3 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 2018. The actuarial valuation was prepared by Ms Kate Dron, Appointed Actuary, FIA 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 the New Zealand Society of Actuaries Professional Standard No. 20 *Determination of Life Insurance Policy Liabilities* (**PS20**).

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 is 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 1.78% and 3.75% (2017: 1.94% - 4.08%).

The discount rate for business with discretionary participating features is based on the market yield on backing assets. This yield was 3.5% (2017: 3.7%) gross of tax and investment expenses.

Inflation

Allowance for future inflation of 2.20% per annum (2017: 2.25%) 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 2.20% per annum (2017: 2.25%). 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% (2017: 28%)

The rate of GST has been assumed to be 15% (2017: 15%).

Asset mix

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

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Notes to the financial statements (continued)

b) Disclosure of assumptions (continued)

Mortality

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.

	2018	2017
Males	68% - 95% IA9597	68% - 95% IA9597
Females	68% - 95% IA9597	68% - 95% 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 60%-90% NZ9092 (2017: 60%-90%) for males and 60%-90% NZ9092 (2017: 60%-90%) for females.

Annuitant mortality rates, which vary by age and sex, have been based on industry experience. They are set at 73% (2017: 73%) 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 tables for disability income business prepared by KPMG at the request of the Financial Services Council of Australia (FSC-KPMG ADI 2007-2011). In each case the rates were adjusted by factors dependent on the Company's recent experience and the nature of benefits. Claim incidence and termination rates are as shown below.

Incidence between 89% and 309% ADI 2007-2011 (2017: Incidence between 89% and 309% ADI 2007-2011).

Termination between 71% and 115% ADI 2007-2011 (2017: Termination between 71% and 115% ADI 2007-2011).

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:

	2018 %	2017 %
Lump sum risk	1 – 26	1 – 26
Disability income	3 – 15	3 – 15
Conventional	2.5	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 2017 to 30 June 2018

	2018	
	Future profit increase/(decrease) $'000	Policy liability increase/(decrease) $'000
Assumption category		
Discount rates (risk business)	11,213	(2,847)
Mortality and morbidity	(757)	-
Lapse and surrender rates	(19,081)	-
Maintenance expenses	(8,562)	59
Inflation rate	(4,568)	-
Premium rate changes	-	-
Other/model changes	(3,800)	-
Total	(25,555)	(2,788)

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.

	2018			2017		
	Change in variable	Profit/(loss) after tax Before reinsurance $'000	Profit/(loss) after tax After reinsurance $'000	Change in variable	Profit/(loss) after tax Before reinsurance $'000	Profit/(loss) after tax After reinsurance $'000
Change in discount rates	+1%	(4,085)	(4,085)	+1%	(4,447)	(4,447)
	-1%	1,417	1,417	-1%	3,377	3,377
Change in mortality and morbidity	+10%	(12,822)	(10,906)	+10%	(13,712)	(12,006)
	-10%	4,555	2,639	-10%	4,083	2,337
Change in lapse rate	+10%	-	-	+10%	-	-
	-10%	-	-	-10%	-	-
Change of expense assumption	+10%	(752)	(752)	+10%	(677)	(677)
	-10%	752	752	-10%	677	677

16. Share capital

	2018		2017	
	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	-	874	-	874
Total share capital	207,342	235,104	207,342	235,104
Movements in shareholder contributions under equity settled employee share plans				
Balance at the beginning of the financial year	-	874	-	919
Contributions	-	-	-	(45)
Balance at the end of the financial year	-	874	-	874

As at 30 June 2018, the Company had 162,342,450 ordinary shares issued to Suncorp Group New Zealand Limited (2017: 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)

17. Capital management

17.1 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. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Suncorp Group.

The Company is a licensed insurance company in accordance with the Insurance (Prudential Supervision) Act 2010 (**IPSA**) and manages its capital in accordance with the requirements of IPSA and the Solvency Standard for Life Insurance Business (the **Solvency Standard**) issued by the Reserve Bank of New Zealand.

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 (as defined in the Solvency Standard) 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 2018.

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 (**BARC**) oversees capital computations and maintains 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.

17.2 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 is included in the definition of "capital" as defined in the Solvency Standard.

17.3 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:

	2018			2017		
	Statutory Fund $'000	Shareholder Fund $'000	Total $'000	Statutory Fund $'000	Shareholder Fund $'000	Total $'000
Actual solvency capital	379,117	836	379,953	376,958	1,298	378,256
Minimum solvency capital	352,476	133	352,609	347,574	156	347,730
Solvency margin	26,641	703	27,344	29,384	1,142	30,526
Solvency ratio	1.08	6.30	1.08	1.08	8.32	1.09

Notes to the financial statements (continued)

18. Credit rating

The Company holds a credit rating of A+ from Standard & Poors (2017: A+).

19. Notes to the statement of cash flows

	2018 $'000	2017 $'000
Profit for the financial year	**39,922**	38,108
Non-cash items		
Investment income - changes in fair value of financial assets	**(26,616)**	(5,054)
Change in policy liabilities (including unvested)	**11,468**	(10,333)
Movement in defined benefit funds through profit	**231**	(75)
Deferred tax charged on defined benefit scheme	**(19)**	(122)
Share-based payments	**-**	(45)
Change in assets and liabilities		
(Increase)/decrease in receivables net of investment receivables	**(3,125)**	2,604
(Increase)/decrease in reinsurance recoveries receivable	**(1,389)**	313
Decrease/(increase) in other assets	**99**	(254)
Increase in outstanding claims liabilities	**4,202**	5,684
Decrease in employee entitlements	**-**	(2,780)
Increase/(decrease) in payables net of investment payables	**3,766**	(554)
Increase in tax balances	**18,600**	7,812
Decrease in policy liabilities due to premiums and claims	**(42,151)**	(23,755)
Net cash from operating activities	**4,988**	11,549

20. Financial instruments

20.1 Measurement

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 at 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 28.

Notes to the financial statements (continued)

20.2 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 – 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 2018				
Assets				
Investment securities	155,247	444,228	-	599,475
Derivatives	-	9,232	-	9,232
Total	155,247	453,460	-	608,707
Liabilities				
Derivatives	-	99	-	99
Total	-	99	-	99
As at 30 June 2017				
Assets				
Investment securities	146,410	437,575	-	583,985
Derivatives	-	7,515	-	7,515
Total	146,410	445,090	-	591,500

There have been no material transfers between Level 1 and Level 2 during the year ended 30 June 2018.

Notes to the financial statements (continued)

20.3 Accounting classification

The carrying amount of financial assets and liabilities 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
As at 30 June 2018				
Cash and cash equivalents	-	12,525	-	12,525
Trade and other receivables and loans	-	18,185	-	18,185
Related party receivables	-	1,221	-	1,221
Other assets	-	2,645	-	2,645
Policyholder loans	-	5,369	-	5,369
Investment securities	599,475	-	-	599,475
Derivatives	9,232	-	-	9,232
Total	608,707	39,945	-	648,652
Payables and other liabilities	-	-	(15,909)	(15,909)
Related party payables	-	-	(6,294)	(6,294)
Derivatives	-	-	(99)	(99)
Total	-	-	(22,302)	(22,302)
As at 30 June 2017				
Cash and cash equivalents	-	18,001	-	18,001
Trade and other receivables and loans	-	36,931	-	36,931
Related party receivables	-	218	-	218
Other assets	-	2,744	-	2,744
Policyholder loans	-	5,402	-	5,402
Investment securities	583,985	-	-	583,985
Derivatives	7,515	-	-	7,515
Total	591,500	63,296	-	654,796
Payables and other liabilities	-	-	(11,030)	(11,030)
Related party payables	-	-	(3,780)	(3,780)
Total	-	-	(14,810)	(14,810)

Notes to the financial statements (continued)

20.4 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 2018					
Financial assets					
Interest rate swaps	9,232	-	9,232	(5,340)	3,892
As at 30 June 2017					
Financial assets					
Interest rate swaps	7,471	-	7,471	(5,610)	1,861

21. Risk management

21.1 Risk management objectives and structure

The Company and its related companies are entities within the Suncorp Group and operate in accordance with Suncorp Group risk management practices. The operations of the Company and Vero Insurance New Zealand Limited (VINZL) are delivered by the Suncorp New Zealand (SNZ) organisational 'Function' in the Suncorp Group. SNZ is not a legal entity.

The Company's Board recognises that effective risk management is integral to the achievement of the Company's objectives. This is consistent with Suncorp Group Board objectives. The Company's Board Audit Risk Committee BARC is responsible for making recommendations to 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.

The Group Board approved Enterprise Risk Management Framework (ERMF) has been adopted by the Company. It is subject to an annual review, updated for material changes as they occur and is approved by the Company's Board. The ERMF requires:

- Company Board approved Risk Appetite Statements (RAS) and links to strategic business and capital plans. Risk Appetite (both set at Suncorp Group level and at the Function level in Board-approved RAS). The SNZ RAS applies to the Company and VINZL;
- accountabilities and governance arrangements for the management of risk within the Three Lines of Defence model; and
- risk management processes.

Notes to the financial statements (continued)

21.1 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, standards and guidelines, and the Company's risk appetite	All business areas	• 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 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	• 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. • 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.	• 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.

The Company's Board has approved 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. SNZ has a Head of Risk who has the management responsibility for the SNZ Chief Risk Office activities including Second Line of Defence risk, governance, regulatory affairs and compliance advice and services to SNZ. The Head of Risk reports to the SNZ CEO and indirectly reports to the Chief Risk Officer for the Insurance Australia Function in the Suncorp Group.

SNZ has in place a number of Management Committees, each with its own charter or terms of reference, to execute specified responsibilities in the risk framework.

These committees include an Asset and Liability Committee (**ALCO**) and a Risk and Governance Committee (**RGC**). The primary role of the ALCO is to oversee the management of selected financial risks arising from the activities of the SNZ businesses within the SNZ Boards approved risk parameters: Insurance Risk (including the following economic aspects – Pricing, Reserving, Concentration and Reinsurance; Counterparty Risk; Market Risk; Asset and Liability and Liquidity Risk.

The ALCO provides governance over aspects of the risk framework related to Financial Risk.

The RGC provides governance over the management non-financial risks arising from the activities of the businesses within the SNZ Boards approved risk parameters: Insurance Risk, Compliance Risk, Operational Risk and Strategic Risk.

Notes to the financial statements (continued)

21.1 Risk management objectives and structure (continued)

SNZ's risk strategy is documented in the Board-approved SNZ Risk Management Programme (**RMP**). The RMP complies with the requirements for licensed insurers in New Zealand and operates in accordance with the ERMF. The RMP is subject to annual review and is submitted to the Reserve Bank of New Zealand for reference. Material changes to the RMP require RBNZ's prior consent.

The key risks addressed by the ERMF are described below:

Key risks	Definition
Credit risk	The risk that the other party in an agreement will default / will not meet its contractual 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 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 that for any class of risk insured, the present value of actual claims payable will exceed the present value of actual premium revenues generated (net of reinsurance).
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, but excludes strategic and reputational risks.
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.

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

- Note 21.2 Insurance risk management; and
- Note 21.3 to 21.5 Risk management for financial instruments: credit, market and liquidity risks. Financial instrument risk is not assessed on a look through basis.

21.2 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;

21.2 Insurance risk management (continued)

- 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.

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.

b) Terms and conditions of insurance contracts

In force insurance contracts issued by the Company introduce an exposure to external variables with potential impacts on cash flows (related to liability for claim payments)

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

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 calculated with reference to the earnings on assets backing the investment contracts less any applicable management fees.	Market risk, interest rates and expenses.

Notes to the financial statements (continued)

21.3 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 mandates to ensure counterparties have appropriate credit ratings. A 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 and in line with the Company's applicable risk appetite statement. Eligible recoveries under reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market.

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 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 $2 million (2017: $12 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 processes for managing the risk during the period. The Aggregate Risk Exposures Policy, prescribes processes and requirements to comply with APRA Prudential Standard 3PS221 *Aggregate Risk Exposures*. SNZ has reporting obligations to the Suncorp Group for breaches of limits prescribed in the Policy. Currently the limits apply to aggregate exposures to each of the Australian major banks.

Notes to the financial statements (continued)

21.3 Credit risk (continued)

	Credit Rating						
	AAA $'000	AA $'000	A $'000	BBB $'000	Non-investment grade $'000	Not Rated $'000	Total $'000
As at 30 June 2018							
Cash and cash equivalents	-	5,129	5,174	-	-	-	10,303
Loans and receivables	-	12,224	-	-	-	5,961	18,185
Related party receivables	-	-	316	-	-	905	1,221
Other assets	-	-	-	-	-	2,630	2,630
Reinsurance recoveries receivable	-	45,878	-	-	-	-	45,878
Investment securities	9,726	252,090	72,989	8,161	-	-	342,966
Policy liabilities ceded under reinsurance	-	14,877	-	-	-	-	14,877
Total	9,726	330,198	78,479	8,161	-	9,496	436,060
As at 30 June 2017							
Cash and cash equivalents	-	4,849	1,205	-	-	-	6,054
Loans and receivables	-	10,862	-	-	-	1,695	12,557
Related party receivables	-	-	72	-	-	146	218
Other assets	-	-	-	-	-	2,468	2,468
Reinsurance recoveries receivable	-	44,489	-	-	-	-	44,489
Investment securities	1,568	242,706	69,321	6,297	-	-	319,892
Policy liabilities ceded under reinsurance	-	13,396	-	-	-	-	13,396
Total	1,568	316,302	70,598	6,297	-	4,309	399,074

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.

		Past due but not impaired					
	Neither past due nor impaired $'000	0-3 mths $'000	3-6 mths $'000	6-12 mths $'000	>12 mths $'000	Impaired $'000	Total $'000
As at 30 June 2018							
Loans and receivables	14,217	3,741	59	168	-	-	18,185
As at 30 June 2017							
Loans and receivables	5,020	6,187	869	306	175	-	12,557

Other loans receivables

The Company provides loans to agents in respect of business development. As at 30 June 2018 the total carrying value was $13,000 (2017: $17,000). No provisions have been recognised for impaired or past due but not impaired loans (2017: nil).

Notes to the financial statements (continued)

21.3 Credit risk (continued)

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.

21.4 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 agree 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. Liquidity risk is also managed by placing limits on the percentage of liquid shareholder and participating investment assets.

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.

Notes to the financial statements (continued)

21.4 Liquidity risk (continued)

	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 2018						
Payables and other liabilities	15,858	-	-	-	51	15,909
Related party payables	6,294	-	-	-	-	6,294
Outstanding claims liabilities	47,399	39,894	59,662	-	60	147,015
Policy liabilities	(26,995)	(72,043)	(128,023)	25,922	189,742	(11,397)
Derivatives	60	-	-	-	39	99
Total	42,616	(32,149)	(68,361)	25,922	189,892	157,920
As at 30 June 2017						
Payables and other liabilities	10,971	-	-	-	59	11,030
Related party payables	3,780	-	-	-	-	3,780
Outstanding claims liabilities	40,570	37,239	61,433	-	3,571	142,813
Policy liabilities	(19,349)	(59,305)	(139,839)	25,492	210,806	17,805
Total	35,972	(22,066)	(78,406)	25,492	214,436	175,428

21.5 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 agreed 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.

Notes to the financial statements (continued)

21.5 Market risk (continued)

a) Interest rate risk

The Company manages some of its exposure to interest rate risk by matching assets to liabilities. 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 to some extent. The Company seeks to manage significant exposure to interest rate risk while maximising the return to participating policyholders and shareholders. 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 interest bearing assets and liabilities, 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 are disclosed in Note 17.3.

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.

(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).

	2018			2017		
	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000
Fixed interest bearing investment securities	237,854	+1%	(6,269)	220,290	+1%	(5,884)
		-1%	6,669		-1%	6,266
Interest rate swaps	131,000	+1%	(4,406)	131,000	+1%	(5,164)
		-1%	4,406		-1%	5,164
Total	368,854			351,290		

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

Notes to the financial statements (continued)

21.5 Market risk (continued)

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.

	2018			2017		
	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000
AUD	155	+10%	(10)	421	+10%	(28)
		-10%	12		-10%	34

c) Credit spread risk

The Company is exposed to credit spread risk through its investments in interest bearing securities. This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings.

The table below represents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the balance date. There is no impact on equity reserves.

Sensitivity of the Company's credit exposure to a +/- 100 basis points (2017: 100 basis points) change in yield is as follows:

	2018			2017		
	Exposure $'000	Change in variable %	Profit (loss) after tax and equity $'000	Exposure $'000	Change in variable %	Profit (loss) after tax and equity $'000
Discounted securities, corporate bonds and derivatives	199,928	+1%	(8,130)	206,862	+1%	(8,898)
		-1%	8,130		-1%	8,898
Government and local government securities	152,270	+1%	(2,783)	120,545	+1%	(2,519)
		-1%	2,783		-1%	2,519
Total	352,198			327,407		

Notes to the financial statements (continued)

d) Equity 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 directly exposed.

	2018			2017		
	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000	Exposure $'000	Change in variable	Profit/(loss) after tax and equity $'000
Domestic equities/unit trusts	12,768	+5%	460	14,786	+5%	532
		-5%	(460)		-5%	(532)
International equities/unit trusts	12,599	+5%	454	12,495	+5%	450
		-5%	(454)		-5%	(450)
Fixed interest/unit trusts	72,834	+5%	2,622	88,032	+5%	3,169
		-5%	(2,622)		-5%	(3,169)
Total	98,201			115,313		

21.6 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 17.

22. Commitments of expenditure

	2018 $'000	2017 $'000
Lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,799	2,579
Later than one year but not later than 5 years	6,147	7,196
Later than 5 years	-	750
Non cancellable operating leases	7,946	10,525

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.

23. Related parties

23.1 Controlling entities

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

Notes to the financial statements (continued)

23.2 Transactions and balances

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

	2018 $'000	2017 $'000
Service and administration fees received		
Parent	28	77
Subsidiaries of ultimate parent	2,503	5,696
Other	261	767
Service and administration fees paid		
Parent	493	1,650
Subsidiaries of ultimate parent	36,477	25,674
Commissions paid		
Other	7,289	8,367
Audit fees paid		
Other	70	72
Commissions received		
Subsidiaries of ultimate parent	965	791
Management fees received		
Subsidiaries of ultimate parent	1,334	1,060
Premiums received		
Subsidiaries of ultimate parent	476	429
Other	-	4
Premiums paid		
Subsidiaries of ultimate parent	104	97
Group tax loss offsets/tax transfers paid		
Parent	8	-
Subsidiaries of ultimate parent	-	148
Transfer of employee entitlements		
Subsidiaries of ultimate parent	-	2,167
Share-based payments		
Parent	-	(45)
Dividends paid		
Parent	44,500	21,000

During the year ended 30 June 2017, a related entity SNZEL was established to act as the employer for certain Suncorp New Zealand companies. As a result, the Company's employee entitlements were transferred to SNZEL. The Company is now recharged for employee related costs instead of incurring them directly as in prior periods. These amounts are included in the "Service and administration fees paid" category above.

During the year ended 30 June 2018, a related entity Suncorp New Zealand Services Limited (**SNZSL**) was operationalised to act as the procurement and service company for certain Suncorp New Zealand companies. As a result, the company is now recharged for certain shared operating costs instead of incurring them directly as in prior periods. These amounts are included in the "Service and administration fees paid" category above.

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)

23.2 Transactions and balances (continued)

Aggregate amounts receivable from or payable to related parties as at 30 June 2018 and 30 June 2017 are shown in the table below:

	2018 $'000	2017 $'000
Amounts receivable from		
Subsidiaries of ultimate parent	291	-
Other	930	218
Total amounts receivable from related parties	1,221	218
Amounts payable to		
Parent	65	175
Subsidiaries of ultimate parent	6,229	3,491
Other	-	114
Total amounts payable to related parties	6,294	3,780

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

23.3 Key management personnel

The Key Management Personnel (**KMP**) compensation is provided by the Company or by a related party of the ultimate parent entity. Remuneration provided other than by a Suncorp Group entity located in New Zealand is not included in this disclosure. This applies to M A Cameron for the years ended 30 June 2018 and 30 June 2017 who was remunerated by a related party of the ultimate parent outside of New Zealand and does not receive any compensation specifically related to his activities as a KMP of the Company. The KMP compensation is as follows:

	2018 $'000	2017 $'000
Short-term employee benefits	6,599	5,136
Post employment benefits	220	166
Long-term benefits	441	191
Termination benefits	529	-
Share based payment	1,476	1,108
Total compensation	9,265	6,601

Compensation of KMP has been determined in accordance with their roles within Suncorp Group (which includes the Company, Vero Insurance New Zealand Limited and Vero Liability Insurance Limited). In some cases, employee service contracts do not include any compensation, including bonuses, specifically related to the role of KMP of the Company and to allocate a figure may be misleading. In some cases, there is no link between KMP compensation and performance of the Company. Therefore, in such cases as there is no reasonable basis for allocating a KMP compensation amount to the Company, the entire compensation of the KMP has been disclosed above.

Notes to the financial statements (continued)

24. Auditor's remuneration

	2018	2017
	$'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	435
Audit of annual accounts of managed funds*	70	72
Audit fees - prior years		
Audit of annual accounts of the Company	29	28
Non-audit fees current year		
Managed funds custodian reasonable assurance*	3	-
Solvency returns	79	40
AML/CFT forensic services	-	30
Total auditor's remuneration	616	605

* Audit fees are paid by the Company on behalf of related party managed funds and superannuation schemes.

25. 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 is material.

Notes to the financial statements (continued)

26. Statutory funds

The Company has established a statutory fund as required under IPSA. The effective date of establishing the statutory fund was 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 2018					
Shareholder retained profits					
Shareholder opening retained profits	5,037	182,673	187,710	4,756	192,466
Operating profit	307	39,662	39,969	(47)	39,922
Transfer of profits between funds	-	(42,500)	(42,500)	42,500	-
Movement in employee defined benefit funds deficit	-	-	-	674	674
Dividends paid	-	-	-	(44,500)	(44,500)
Shareholder closing retained profits	5,344	179,835	185,179	3,383	188,562
Share capital and transfers					
Share capital	-	235,104	235,104	-	235,104
Total shareholder equity	-	235,104	235,104	-	235,104
Components of shareholder interest in statutory funds					
Shareholder retained profits	5,344	179,835	185,179	3,383	188,562
Share capital	-	235,104	235,104	-	235,104
Shareholder funds	5,344	414,939	420,283	3,383	423,666
As at 30 June 2017					
Shareholder retained profits					
Shareholder opening retained profits	4,290	166,581	170,871	5,051	175,922
Operating profit	503	37,336	37,839	269	38,108
Transfer of profits between funds	244	(21,244)	(21,000)	21,000	-
Movement in employee defined benefit funds deficit	-	-	-	(564)	(564)
Dividends paid	-	-	-	(21,000)	(21,000)
Shareholder closing retained profits	5,037	182,673	187,710	4,756	192,466
Share capital and transfers					
Share capital	-	235,104	235,104	-	235,104
Total shareholder equity	-	235,104	235,104	-	235,104
Components of shareholder interest in statutory funds					
Shareholder retained profits	5,037	182,673	187,710	4,756	192,466
Share capital	-	235,104	235,104	-	235,104
Shareholder funds	5,037	417,777	422,814	4,756	427,570

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

KPMG

Notes to the financial statements (continued)

27. Disaggregated information

	Statutory Fund	Shareholder Fund	Total
	$'000	$'000	$'000
As at 30 June 2018			
Investment assets	593,788	5,687	599,475
Other assets	2,645	-	2,645
Life insurance contract liabilities	(227,061)	-	(227,061)
Life investment contract liabilities	189,742	-	189,742
Other liabilities	295,658	4,202	299,860
Retained profits directly attributable to shareholders	185,179	3,383	188,562
For the financial year ended 30 June 2018			
Premium revenue	238,020	-	238,020
Investment revenue	48,276	168	48,444
Claims expense	121,508	-	121,508
Other operating expenses	98,895	-	98,895
Investment revenues paid or allocated to policyholders	39,160	-	39,160
Profit before tax	60,586	(73)	60,513
Profit after tax	39,969	(47)	39,922
Distributions from funds	(42,500)	-	(42,500)
As at 30 June 2017			
Investment assets	576,440	7,545	583,985
Other assets	2,744	-	2,744
Life insurance contract liabilities	(218,493)	-	(218,493)
Life investment contract liabilities	210,806	-	210,806
Other liabilities	269,857	4,101	273,958
Retained profits directly attributable to shareholders	187,709	4,757	192,466
For the financial year ended 30 June 2017			
Premium revenue	225,607	-	225,607
Investment revenue	27,796	233	28,029
Claims expense	104,439	-	104,439
Other operating expenses	80,690	-	80,690
Investment revenues paid or allocated to policyholders	22,374	-	22,374
Profit before tax	55,707	296	56,003
Profit after tax	37,839	269	38,108
Distributions from funds	(21,000)	-	(21,000)

Notes to the financial statements (continued)

28. Significant accounting policies

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

28.1 Principles of life insurance business

Under 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 policyholders or the shareholder. A policyholder 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.

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.

28.2 Foreign currency

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.

Notes to the financial statements (continued)

28.3 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.

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.

Notes to the financial statements (continued)

28.4 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% (2017: 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 expired on 30 June 2015.

The new rules also extend the benefits of the Portfolio Investment Entity (**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.

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.

28.5 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.

Notes to the financial statements (continued)

28.6 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.

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.

28.7 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.

Notes to the financial statements (continued)

28.8 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.

28.9 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.

28.10 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.

Notes to the financial statements (continued)

28.11 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.

28.12 Employee entitlements

The Company contributes to defined benefit superannuation funds as required. 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.

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.

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Notes to the financial statements (continued)

28.12 Employee entitlements (continued)

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.

28.13 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.

28.14 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.

28.15 Policy liabilities

a) Determination of policy liabilities

Liabilities to policyholders in the statement of financial position are measured on the MoS basis in accordance with 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.

Notes to the financial statements (continued)

b) Life insurance policy liabilities (continued)

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 15.3.

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.

28.16 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.

28.17 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.

28.18 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.

Notes to the financial statements (continued)

28.19 New accounting standards and interpretations not yet adopted

a) NZ IFRS 9 Financial Instruments

NZ IFRS 9 was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements. This standard becomes mandatory for the Company for annual reporting periods from 1 July 2018.

The standard has to be applied retrospectively and the option not to restate the prior period financial statements has been elected. The changes in recognition and measurement resulting from the adoption of NZ IFRS 9 will be recognised in 1 July 2018 opening retained earnings and other appropriate equity reserves.

Governance

The Company forms part of the Suncorp Group project set up to implement the requirements of NZ IFRS 9 for all group entities. It is governed through a steering committee involving divisional CFOs, CROs and Heads of Finance and was delivered by working groups with stakeholders from risk management, finance, data and transformation and the business units.

Transitional impact

After completing the assessment of changes in classification and measurement, the new expected credit loss impairment models and the relevant new disclosures, the impact on financial assets and liabilities as at 30 June 2018 is immaterial for the Company. Where applicable, the impact will be reported as part of the transitional disclosures in the 30 June 2019 financial statements.

b) NZ IFRS 15 Revenue From Contracts With Customers

NZ IFRS 15 replaces existing revenue recognition guidance, including among others NZ IAS 18 *Revenue* and IFRIC 13 *Customer Loyalty Programmes*. NZ IFRS 15 provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and requires additional disclosures on revenue. This standard will become mandatory for the Group from 1 July 2018. An assessment has been completed which has confirmed that the majority of the Company's revenue is outside the scope of NZ IFRS. The impact on revenue that is within the scope of NZ IFRS 15 will be immaterial for the Company.

c) NZ IFRS 16 Leases

NZ IFRS 16 was issued in February 2016 and replaces NZ IAS 17 *Leases* and other guidance on accounting for leases. NZ IFRS 16 introduces a single on-balance sheet lease accounting model for lessees which will remove the operating/finance lease distinction for lessees under NZ IAS 17.

Under the NZ IFRS 16, the Company will recognise a right-of-use asset representing its right to use the underlying asset, except for short-term leases and leases of low-value items which are exempted under the new Standard, and a lease liability representing its obligation to make lease payments. Consequently, the Company will recognise depreciation of the right of use assets and interest on lease liabilities over the lease term in the Statement of Comprehensive Income. This standard will become mandatory for the Company's 30 June 2020 financial statements. The potential effects on adoption of the standard are currently being assessed.

d) NZ IFRS 17 Insurance Contracts

NZ IFRS 17 was issued in August 2017 and will replace the IFRS 4 *Insurance Contracts*. NZ IFRS 17 will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements.

Notes to the financial statements (continued)

28.19 New accounting standards and interpretations not yet adopted (continued)

Under NZ IFRS 17, on initial recognition, a group of insurance contracts are measured based on the fulfilment cashflows (present value of estimated future cash flows with a provision for risk) and the contract service margin ("**CSM**", the unearned profit that will be recognised over the cover period). Subsequent to initial recognition, the liability for the group of insurance contracts comprises the liability for the remaining coverage (fulfilment cash flows and CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses already incurred but not yet paid).

This new standard will become mandatory for the Company's 30 June 2022 financial statements. The potential effects on adoption of the standard are currently being assessed.

NZ IFRS 9, NZ IFRS 15, NZ IFRS 16 and NZ IFRS 17 are available for early adoption but have not been applied by the Company in this financial report.

29. Subsequent events

On 31 July 2018 the Directors resolved to pay ordinary dividends of $18,000,000 being 11 cents per share.

There were no material events post 30 June 2018 which would require adjustment to the amounts reflected in the 30 June 2018 financial statements or disclosures thereto.

Appointed Actuary - Report Required under Section 78 of the Insurance (Prudential Supervision) Act 2010

To the Board of Directors of Asteron Life Limited (New Zealand)

Background

This report has been prepared by Kate Dron FIA FNZSA, Appointed Actuary of Asteron Life Limited (New Zealand) ("ALLNZ") 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, ALLNZ's 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 financial statements

The Directors are responsible for the preparation of ALLNZ'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 ALLNZ'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, ALLNZ's financial statements. The financial statements comprise the statements of financial position as at 30 June 2018, 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; and
- Providing an opinion of whether the solvency margins for ALLNZ and its life funds (including statutory fund(s)) are maintained at the balance date.

I am an employee of Suncorp NZ Employees Limited, a related entity of ALLNZ. Part of my remuneration is dependent on the results of the Suncorp Group, of which ALLNZ contributes towards.

Opinion

Section 78 of the Act specifies those matters that must be addressed, namely;

- 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 ALLNZ's financial statements has been appropriately included;
    - the actuarial information contained in ALLNZ's financial statements has been used appropriately;
    - ALLNZ 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 2018; and
    - ALLNZ 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 2018.

Kate Dron

Appointed Actuary

21 July 2018